

EAST ASIAN HISTORICAL MONOGRAPHS

*General Editor:* WANG GUNGWU

The Federal Factor in the Government and Politics  
of Peninsular Malaysia

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The Federal Factor in  
the Government and Politics  
of Peninsular Malaysia

B. H. Shafruddin

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Pepustakaan Negara



To Dianne and Zara

## Preface

THIS book is a revised version of my Ph.D. thesis submitted to the University of London in 1982. The federal factor was and indeed remains crucial in the shaping and operation of Malaysian politics and institutions, in both the formal and informal sense. Centre-State relations which give rise to the federal factor provide the axis for this study. It is not a full treatment of the subject and, unavoidably, selective in its emphasis on and treatment of certain aspects that are, in my view, of intrinsic significance.

As to the question 'why the federal factor?', this approach as applied to the Malaysian situation shifts the study of Malaysian political life along in two rather refreshing directions. First, it directs attention to the more informal forces which shape federalism. Secondly, the federal factor provides a supplementary, perhaps even an alternative, approach to that of communalism which has been so very pervasive in the study of Malaysian political life. It would have been worth the effort if it generates further interest along these paths.

To Universiti Sains Malaysia I wish to convey my gratitude for financing this study and allowing me an uninterrupted study leave from 1978 to 1982 under its Academic Staff Higher Education Scheme. Several Libraries have also facilitated this study. These include, in London, the Libraries of the Institute of Commonwealth Studies, Commonwealth and Foreign Office, and University of London; in Kuala Lumpur, the Libraries of the University of Malaya, Malaysian Parliament, Public Services Department, Arkib Negara (National Archives), and the New Straits Times; and in Penang, the Library of Universiti Sains Malaysia. My thanks go to the staff of these Libraries. My thanks also go to the respondents who have helped me along the way. Many have shared in my enthusiasm for this study for which I am grateful. But my greatest debt is to Professor Morris-Jones for his unremitting patience, guidance, and nourishment. To Dianne goes my special thanks for sharing in this burden.

*School of Social Sciences  
Universiti Sains Malaysia  
Penang  
January 1986*

B. H. SHAFRUDDIN

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## Abbreviations and Acronyms

ALP	Australian Labour Party
BC	Branch Committee
BEC	Branch Executive Committee
Berjasa	Barisan Jumaah Islamiah Malaysia
BG	Balancing Grant
BGA	Branch General Assembly
BGM	Branch General Meeting
BN	Barisan Nasional
BP	Badan Perhubungan
CEC	Central Executive Committee
CM	Chief Minister
DAC	District Action Committee
DAU	Development Administration Unit
DC	Division Committee
DCR	Divisional Conference of Representatives
DDC	District Development Committee
DDM	Divisional Delegates Meeting
DEC	Division Executive Committee
DRDC	District Rural Development Committee
EPU	Economic Planning Unit
Exco	Executive Council
FEO	Federal Establishment Office
FELCRA	Federal Land Consolidation and Rehabilitation Authority
FELDA	Federal Land Development Authority
FFYP	First Five Year Plan (1956-1960)
FIDA	Federal Industrial Development Authority
FLC	Federal Legislative Council
FMP	First Malaysia Plan (1966-1970)
FMS	Federated Malay States

FoMP	Fourth Malaysia Plan (1981-1985)
FSLC	Federal-State Liaison Committee
GA	General Assembly
GAS	General Administrative Service
GDP	Gross Domestic Product
GRM	Gerakan Rakyat Malaysia
ICDAU	Implementation, Co-ordination, Development Administration Unit
ICU	Implementation Co-ordination Unit
IMP	Independence of Malaya Party
JB	Jawatankuasa Bahagian
JC	Jawatankuasa Cawangan
JKB	Jawatankuasa Kerja Bahagian
JKN	Jawatankuasa Kerja Negeri
JPA	Jabatan Pentadbiran Awam
JPN	Jawatankuasa Perhubungan Negeri
KMUF	Kelantan Malay United Front
LC	Liaison Committee
MADA	Muda Agricultural Development Authority
MADS	Malaysian Administrative and Diplomatic Service
MAMPU	Malaysian Administration and Manpower Planning Unit
MAS	Malay Administrative Service
MB	Mentri Besar
MCA	Malayan Chinese Association
MCS	Malayan Civil Service
MHFS	Malaysian Home and Foreign Service
MIC	Malayan Indian Congress
MIDF	Malaysian Industrial Development Finance Limited
MKT	Majlis Kerja Tertinggi
MP	Member of Parliament
MT	Majlis Tertinggi
NAC	National Action Council

NBI	National Bureau of Investigation
NCLG	National Council for Local Government
NDPC	National Development Planning Committee
NEC	National Economic Council
NF	National Front
NFC	National Finance Council
NLC	National Land Council
NOC	National Operations Council
NPC	Northern Peoples' Congress
PAS	Parti Islam se Malaya/Malaysia
Pernas	Perbadanan Nasional
PETRONAS	National Petroleum Company
PI	Parti Islam
PKMJ	Persatuan Kebangsaan Melayu Johor
PM	Prime Minister
PMIP	Pan-Malayan Islamic Party
PN	Parti Negara
PPP	People's Progressive Party
PSC	Public Services Commission
PSD	Public Services Department
PTA	Perkhidmatan Tadbir Am
PTD	Perkhidmatan Tadbir dan Diplomatik
RDA	Regional Development Authority
RGG	Revenue Growth Grant
RIDA	Rural Industrial Development Authority
SAC	State Action Committee
SC	Supreme Council
SCBA	Straits Chinese British Association
SCS	State Civil Service
SDC	State Development Committee
SDConf	State Delegates Conference
SEC	Supreme Executive Council
SECom	State Executive Committee
SEDC	State Economic Development Corporation
SEPU	State Economic Planning Unit
SERU	Socio-Economic Research Unit
SLA	State Legislative Assembly
SLC	State Liaison Committee

SMP	Second Malaysia Plan (1971-1975)
SOC	State Operations Council
SPC	State Planning Committee
SRDC	State Rural Development Committee
SRF	State Reserve Fund
SS	Straits Settlements
TMP	Third Malaysia Plan (1976-1980)
UDA	Urban Development Authority
UMNO	United Malays National Organisation
UMS	Unfederated Malay States
USNO	United Sabah National Organization

## Introduction

THIS is a study about the federal factor—that is the relations between the Centre and States—in the government and politics of Peninsular Malaysia. The study of federalism has a long and varied pedigree. Federalism has sometimes been viewed as essentially a matter of constitutional law. At other times federalism has been seen as a function not of constitutions but of federal societies which are shaped by social, cultural, economic, and political realities or forces. The two views are indeed opposite poles on the axis of the study of federalism and movement between these poles is not necessarily only in one direction. Viewed in this way, the study of federalism involves going beyond looking at it as just a matter of constitutional law, for, after all, a Constitution provides only the formal boundaries within which several crucial components of the political structure operate—for example, political parties and administrative organization. These, individually and in their interactions, affect and are affected by the federal factor of the political structure. This study examines federalism and the federal factor in Peninsular Malaysia by focusing on four crucial components of the political structure—the Constitution, finance, administrative organization, and political parties (essentially one-party dominance).

Peninsular Malaysia, in comparison with other federations, such as the United States, Canada, Australia and India, is relatively small. Yet it is still a Federation. Unlike Peninsular Malaysia, and perhaps also Switzerland, size was a reason for the establishment of a Federation in these countries. Ethnicity or communalism, as in India, Canada and also Switzerland, was another reason but it was not in the case of Peninsular Malaysia; although communalism is a powerful (generally centralizing) force in national politics, it is not a force that sustains States as such. Thus, Peninsular Malaysia represents a case where despite its small size it is still a Federation which was established essentially not because of ethnic or communal demands but rather to accommodate the legacy of the Malay States and the accompanying institution of the Sultanate.

This study is confined to Peninsular Malaysia for three main reasons. First, the States of Peninsular Malaysia belong to one geographical unit and with the exception of Penang and Malacca had similar origins and traditions as Malay States. They were federated in 1948 to form the Federation of Malaya and in 1957 to form the Independent Federation of Malaya. Only in 1963 were Sabah and Sarawak (and Singapore) federated with the States of Peninsular Malaya to form the Federation of Malaysia. Secondly, these new States within the Federation of Malaysia were provided with more rights compared to the States in the Federation of Malaya. Thus, Peninsular Malaysia represents a geographically and historically coherent unit for analysis. Thirdly, different forces led to the formation of the Federations of Malaya and Malaysia.

Essentially the study covers the post-Independence period but the importance of history cannot be denied and has accordingly been indicated. The terms 'Centre' and 'Central' are used to refer to the Government whose laws, actions, and policies have effects throughout the Federation in contrast to States and their Governments which are constituent units of the Federation. Sometimes Government officials, politicians and even scholars alike have used 'Central' and 'Federal' Government to mean the same thing. This can be confusing. Only when it is unavoidable, as in quotations for example, is the term 'Federal' retained. Distinguishing between 'Centre' or 'Central' and 'Federal' is simply for convenience but it may also be analytically desirable. In principle Federal Government refers to the system of levels of Government within which the Central and State Governments are but parts. Thus, to refer to the Central Government as Federal Government is in this sense misleading.

The arrangement of chapters is dictated by the concerns of the study and have accordingly been arranged in four main parts: Chapter 1 on the Constitution; Chapters 2 and 3 on finance; Chapters 4, 5 and 6 on administrative organization; and Chapters 7, 8, 9 and 10 on political parties. A conclusion follows.



## The Constitution and the Federal Idea

FEDERALISM as a concept seeks to outline a constitutional framework which provides for a system of levels of government within which the Central and the State Governments are but parts. This chapter outlines the constitutional framework of federalism in Peninsular Malaysia and hence the constitutional position of States in relation to each other and to the Centre. The discussion centres on the arguments over the federal idea which were presented at the time of constitution-making, the ensuing federal framework provided by the 1957 Constitution, and the subsequent political, legislative, and judicial processes which have had significant impact on the federal idea.

The movement towards federation in Peninsular Malaysia was gradual and was shaped by the opposing forces of centralization and decentralization. The year 1896 saw the establishment of the Federated Malay States (FMS), joining together Pahang, Negri Sembilan, Selangor and Perak, thereby effectively centralizing political, financial, and administrative power in Kuala Lumpur. However, the Malay States of Johore, Kedah, Kelantan, Perlis and Trengganu, where British rule was more 'indirect', remained as the Unfederated Malay States (UMS). This situation prevailed till the Japanese occupation of Malaya despite several ameliorative measures to overcome the States' apprehension regarding such centralization. After the Japanese occupation and a period of rule by the British Military Administration, the British Government implemented the Malayan Union Scheme in 1946. For the first time all the nine Malay States and the two Straits Settlements of Penang and Malacca were placed under one government. This Scheme again gave overwhelming, if not complete, powers to the Centre. The Malayan Union was successfully opposed by the Malays and was eventually dissolved. In its place, on 1 February 1948, the Federation of Malaya Agreement established a federation

comprising the nine Malay States, Penang and Malacca with a strong central government. In general, in the period before Independence, the experiences of federation and the tradition of rule and government in Peninsular Malaysia emphasized the dominant position of the Centre *vis-à-vis* the States.

*Arguments at the Time of Constitution-making:  
The Reid Commission<sup>1</sup>*

The Reid Commission was given the task of examining the constitutional arrangements throughout the Federation of Malaya. It was authorized to make recommendations for a 'federal' constitution for an independent Federation of Malaya which should provide for 'the establishment of a strong central government with States and Settlements enjoying a measure of autonomy ... with the machinery for consultation between the Central Government and the States and Settlements on certain financial matters to be specified in the Constitution'.<sup>2</sup> In its work the Commission toured the nine Malay States and the two Settlements of the Federation. It examined memoranda submitted to it and received oral submissions made by interested groups concerning the form that federalism in the future independent Malaya should take.

Interested groups and political parties were faced with two questions: should they support the new federal state or not, and if federation was desirable then what should be the States' constitutional status in relation to each other and to the Centre? The response ranged from secessionist demands to calls for a unitary Malaya.<sup>3</sup> Demands for 'States' Rights' were expressed by several groups, although each group had its own version of what these should be.

Several arguments were presented regarding the position of the former Straits Settlement States, Malacca and the predominantly Chinese Penang. The Pan Malayan Islamic Party (Parti Islam se Malaya, PAS) proposed to make these States into 'Malay States' so that the system of Malay 'special privileges' would be extended to them, complete with the selection of Malay Rulers to ensure that the 'special position of Malays' would be fully protected.<sup>4</sup> The Penang United Malays National Organisation (UMNO) at its tenth annual general assembly in September 1955 discussed demands that Penang should be returned to its proper owner, Kedah.<sup>5</sup>

The problem of the former Straits Settlement States was a lack of confidence in the future Federation among the local Chinese. Already disenchanted by the dismantling of the Straits Settlements in 1946 and the loss of Penang's free port status on which much of its economic prosperity depended, and anxious about Chinese rights as British subjects and their future in an independent Malaya, the Penang Straits Chinese British Association (SCBA) responded to the above arguments by declaring that 'The best solution would be for all the nine States and two Settlements to enjoy political autonomy and form a United States of Malaya. . . . Failing this, we have no alternative but to agitate for a dominion status for Penang, Malacca and Singapore—in other words, we will return to our former status [as Straits Settlements].'<sup>6</sup> Tunku Abdul Rahman, the leader of the Alliance,<sup>7</sup> responded to this secessionist sentiment<sup>8</sup> by categorically declaring that the inclusion of Penang in the Federation was 'absolutely necessary'.

Koh Sin Hock, a member of the Penang SCBA, suggested a variant of secession in his 'Malta Plan'—Penang as a separate State in political association with the United Kingdom. On 22 January 1957 the secessionists suggested yet another variant—the re-creation of a group of three States distinct from the nine Malay States. They suggested that 'there should be a loose federation between Singapore, Penang and Malacca under their own autonomous Government and the nine Malay States'.<sup>9</sup> This call for a confederation implied that secession by individual States was no longer a practical alternative.

If Penang and Malacca had necessarily to be in the Federation then their status had to be clearly defined. The Alliance Memorandum to the Reid Commission stated that Penang and Malacca should have the same status as the nine Malay States in the Federation.<sup>10</sup> The Penang Malayan Chinese Association (MCA) in a separate memorandum demanded that

The Settlement of Penang should not revert to the State of Kedah as such a move will not be consonant with the changes and progress that have taken place within the Settlement in the last one hundred and fifty years . . . Penang must . . . be allowed to take charge of its own destiny as a separate and equal State with the other members of the Federation . . . Kedah should relinquish its claim on Penang.<sup>11</sup>

It further suggested that a new constitution for the Malayan nation must provide strong safeguards to ensure the ties that bind State

to State and State to Federation. Such safeguards should include stringent requirements for any alteration of the Constitution.<sup>12</sup>

The Malay States of Johore and Kelantan also, initially, resisted the federal idea. The Ruler of Johore, Sultan Ibrahim ibni Almarhum Sultan Abu Bakar, convinced that the British Adviser system was essential to the smooth running of the State, feared that this would be destroyed by independence and federation. He declared that 'I do not care what the other Rulers may say but as for Johore and myself I must have a British Adviser, otherwise, work cannot be carried out smoothly'.<sup>13</sup> The Sultan's declaration was in direct opposition to the Alliance's demands for the speedy achievement of independence and the dismantling of the 'adviser system'.<sup>14</sup> The Sultan's resistance was supported by the Persatuan Kebangsaan Melayu Johor (PKMJ, the Johore Malays National Organisation) which was formed on 22 October 1955. The PKMJ declared that it would campaign for Johore's secession from the Federation and for the restoration of Johore's former status as an 'independent' State under British protection.<sup>15</sup>

It would seem natural that those associated with the PKMJ would support the Sultan in his opposition to independence and federation. They were the traditional élite whose political position and social eminence depended on their relationship with the Sultan. They had, however, by 1955 been supplanted as the local élite after being heavily defeated by Alliance candidates in local, state and federal elections. Only through secession would they have been able to redeem their former status.

The Kelantan Malay United Front (KMUF), formed on 28 November 1955 in Kota Bharu, also campaigned for secession. The KMUF saw Malayan independence and federation as signalling the loss of Malay rights to the Chinese. Its leader, Nik Mohamad Abdul Majid, argued that since the setting up of the Federation of 1948 the Malays had gradually lost their rights to the Chinese and also that the 'Malays have been degraded into accepting, as Ministers Chinese and Indians'.<sup>16</sup> In other words, the KMUF saw the Federation of Malaya as being a sell-out to non-Malay interests. The KMUF also wanted to restore the supremacy of the Islamic religion, the Malay language, and Malay customs.

Leaders of the KMUF and PKMJ had two characteristics in common—antagonism towards the Alliance, especially UMNO, and a weak political position. Lacking popular support, opposed

by the dominant political party of the time, the Alliance, and faced with an unsympathetic British Administration, the resistance to the federal idea failed. Tunku Abdul Rahman had categorically stated that 'the UMNO-MCA-MIC Alliance will not tolerate attempts from any quarter to partition Malaya on any account'.<sup>17</sup>

The Alliance's conception of a federal state was contained in its memorandum to the Reid Commission.<sup>18</sup> The Alliance argued that an independent Malaya should be a federation of eleven States and that the principles governing the Federal Constitution should be adopted by the States.<sup>19</sup> Further, it argued that the division of legislative and executive powers between the Central and State Governments should be clearly defined and be based on the principle that 'there should be a strong Central government with States enjoying responsible government and having autonomous powers in certain specified matters'.<sup>20</sup> Thus, the legislative powers of the States 'should be stipulated and... the residuary powers should be vested in the Federal Government'.<sup>21</sup> Also, the legislative powers of the Central Government 'should continue to be as in column (1) of the second Schedule to the Federation of Malaya Agreement [1948]. The States should have the legislative powers in remaining matters to be specified'.<sup>22</sup> Surprisingly, it retained the principle of conferring legislative power on the Centre and executive power on the States by recommending that the States 'should have executive authority over matters on which the Federal Government has legislative power as in column (2) to the Second Schedule [Federation of Malaya Agreement, 1948], except in matters relating to education'.<sup>23</sup> This was surprising in view of the Alliance's awareness that different political parties might control the different levels of government, and that therefore this principle could lead to chronic Centre-State tension. Equally surprising was its argument against the provision of any formal consultative machinery in the exercise of executive powers because it believed that, in a situation where different political parties controlled the Central and State Governments, this mechanism would not be conducive to efficient government.<sup>24</sup> It recognized, however, that from time to time there might be a need to establish an informal Centre-State arrangement.<sup>25</sup>

In the area of Centre-State finance the Alliance recommended that the States should be financially autonomous but that 'the power to raise revenue and the system of allocation of funds between the State and Federal Governments should be as in the

Third Schedule and Part III of the Federation of Malaya Agreement [1948].<sup>26</sup> In land matters it recommended that the Central Government should have the power to acquire land anywhere in the country for any purpose of national importance after consultation with, but not necessarily the concurrence of, the State Government concerned.<sup>27</sup>

The Alliance further recommended that the Upper House or Dewan Negara should comprise forty-five members: two members to be elected from each of the eleven States, and twenty-two members and the Speaker to be appointed by the Centre.<sup>28</sup> The Dewan Negara would thus have twenty-two representatives from the States and twenty-three from the Centre. On the amendment process the Alliance recommended that amendments to the Constitution should be made only if approved by at least two-thirds of both the Upper and Lower Houses of Parliament.<sup>29</sup> In addition, if amendments affected the rights of States they would also have to be approved by two-thirds of the State Legislatures by simple majority vote. The recommended amendment procedure was stringent and required the States' participation. Thus, the Dewan Negara and the amendment process could provide real safeguards to State interests and to the federal union.

The Reid Commission seems to have relied heavily on the memoranda received from the Malay Rulers and the Alliance.<sup>30</sup> The Commission recommended that independent Malaya should be a federation with a strong Central Government and with the States and Settlements having a measure of autonomy.<sup>31</sup> Regarding the status of the former Straits Settlement States, the Commission emphasized that 'Our terms of reference not only require us to recommend a measure of autonomy for each of the States and Settlements but also appear to preclude us from recommending any changes in their existing boundaries, and we have therefore not considered certain representations that changes should be made in this respect.'<sup>32</sup> It recommended that any future boundary alterations should depend on the agreement of the States and Settlements concerned.<sup>33</sup> Thus 'in spite of the fundamental constitutional differences between the present positions of the States and of the Settlements we think that in future they should have the same degree of autonomy'.<sup>34</sup>

The Commission pointed out that the Federation of Malaya Agreement, 1948, provided a Constitution which placed overwhelming legislative powers with the Centre.<sup>35</sup> It was convinced

that this 1948 Constitution was based on the unsound and impractical principle of conferring legislative power on the Centre and executive power on the States. Thus, where different political parties controlled the Central and State Governments, such a division of powers 'would probably lead to friction and might well have grave consequences'.<sup>36</sup> It therefore recommended that 'in future legislative power and executive responsibility should always go together'.<sup>37</sup> In this respect it did not follow the Alliance's recommendation. Accordingly three legislative lists were recommended: Federal, State, and Concurrent. It also recommended that residual powers should be given to States, convinced that

The situation of the residual powers makes no difference to the construction of any of the specific powers in the Federal List. . . . Moreover, it is unlikely that the residual power will ever come into operation because the Legislative Lists, read in the light of the clauses in article 68, appear to us to cover every possible matter on which there might be legislation. The only real effect of leaving the residual power with the States is that if some unforeseen matter arises which is so peculiar that it cannot be brought within any of the items mentioned in any of the Legislative Lists, then that matter is within the State powers.<sup>38</sup>

Despite the above division of powers the Commission believed that co-operation between Central and State Governments should be encouraged. There should thus be 'a general power of delegation conferred on both the Federal and State Governments with regard to the performance of any of their executive functions'.<sup>39</sup> It further recommended that

The Federal Government should be authorised to delegate any particular functions or duties to a State Government or to State officers, and State Governments should be similarly authorised to delegate to the Federal Government or Federal officers or to any other State Government or its officers.<sup>40</sup>

The Commission was convinced that on certain matters a 'uniformity of laws' in the various States was necessary. On such matters Parliament should have the power to pass an Act on any State subject. However, such an Act would come into force only with the concurrence of the State concerned as expressed in terms of an Enactment of the State Legislative Assembly. Furthermore, the State Legislative Assembly in adopting such an Act should be entitled to make any necessary modifications. In this way the Commission believed that the supremacy of a State on State

subjects would be preserved. In making its 'uniformity of laws' recommendation the Commission had in mind the two most important matters on the State List, land and local government.<sup>41</sup>

The Commission believed that the future prosperity of Malaya depended on the proper use of land and that a planned national policy for this was essential.<sup>42</sup> Land also was (as it remains) a major source of revenue for the States. The Commission recommended that land must remain a State subject because this was the basis of State autonomy and argued that it would be neither practical nor desirable to transfer the general administration of land to the Federation.<sup>43</sup> However, to promote national interest projects, like national development and conservation, the Centre ought to have powers to pass laws regarding the use of land.<sup>44</sup> This was further strengthened by the Commission's recommendation that the Centre was to be the sole judge of its requirements for State land and that, after due compensation had been worked out, the Centre should have the power to require the States to make available land which it required for federal purposes.<sup>45</sup> In this respect it generally followed the Alliance's recommendation. The Commission, however, alluding to the possibility that such powers might be contrary to the 'federal' concept and could cause Centre-State friction, stated that 'We think that such [national] development ought to be the direct responsibility of the Federation, but we do not think that it is possible to give the Federation a completely free hand without undermining the autonomy of the States and possibly causing friction between the States and the Federation.'<sup>46</sup> Two general limitations<sup>47</sup> on the exercise of such powers were thus recommended. First, before the Centre could initiate any scheme of development or conservation which involved interfering with States' Rights, the scheme should first be examined by an 'expert body' and then discussed between the Centre and the States in the National Finance Council (NFC). (The Commission, however, did not say who were to comprise this 'expert body'.) Second, any such scheme should be confined to a specified area or specified areas.

Of critical importance to the federal idea was the question of the States' financial autonomy. Before 1956 the States depended on Central funds and every year there were disputes with the Centre over the amounts to be granted. The Commission argued that these disputes could become more acute as democratic control replaced official control in the States. Furthermore,



... the states have no assurance as to the total amount of their incomes from grants in future years. They can hardly have any real financial autonomy and they have little direct incentive to economy, if their deficits are to be met every year by the Federation, and it is difficult for them to plan ahead without a firmer assurance of their future financial resources.<sup>48</sup>

The Commission nevertheless candidly stated that the federal system must continue to rely upon federal funds for the substantial support of all levels of Government.<sup>49</sup> It also pointed out that to maintain a given balance between State and Central authority, the economic and financial relations might require careful planning so that the State did not come under direct Central supervision in fields which were constitutionally subjects of State legislation.<sup>50</sup> To achieve this States must have independent sources of income not subject to the discretion of the Central Government if federalism was to work.

The Commission faced this problem: how to guarantee the States' financial independence commensurate with 'the establishment of a strong central government with the States and Settlements enjoying a measure of autonomy'. It recommended the transfer of certain State responsibilities—education, medical and health (in the State List of the 1948 Constitution)—to the Federal List:<sup>51</sup> in short, shrinking the areas of State responsibility and competence. State expenditure could thus be reduced. Ironically, the Commission believed that the reduction in State responsibilities would strengthen the States *vis-à-vis* the Central Government by their having to rely less on Central funds.<sup>52</sup> However, the continual transfer of State subjects to the Centre to match the States' financial capabilities would allow them that 'measure of autonomy' but would in time reduce them to mere formal units of the Federation without real powers.

The States' financial independence could also be strengthened if States were provided with wide taxing powers. This was considered and rejected. The Commission recommended by a majority that States should not have wider taxing powers than those which they already had. Mr Justice Abdul Hamid opposed this recommendation. He argued that States should be entitled to levy taxation in respect of all matters on the State List and that the Centre should not be entitled to levy taxation in respect of these matters.<sup>53</sup> The Commission recommended that States must continue to receive large grants from the Centre as a right and not 'as subsidies depending on the favour of the Federation'.<sup>54</sup> It was con-

vinced that an equalization policy could better be achieved by the Centre rather than by giving each State wider taxing powers. It thus expected that 'national policy will endeavour so far as possible to promote equally the prosperity of all parts of the Federation, and if the States were entitled to raise additional revenue directly this objective would be difficult to achieve'.<sup>55</sup>

The Commission viewed grants-in-aid as the key to the problem of State finance. Grants-in-aid, on past experience, were not only relatively large but also the subject of Centre-State friction. In anticipation of such situations, the Commission recommended three steps. First, the establishment of the National Finance Council<sup>56</sup> as the consultative machinery which would deal with questions of grants. Secondly, grants should be given for an extended period of five years. Finally, development should be the Centre's responsibility.<sup>57</sup> The time period of five years would give State authorities the real leeway for financial autonomy tempered with the knowledge that a new grant would be required in five years. The Commission recommended that 'since every State must spend federal money the State Constitutions must contain appropriate provisions for financial control, not differing in essentials from those which apply to the Federal Government itself'.<sup>58</sup> It made the adoption of these provisions by State Constitutions a condition precedent to the establishment of the new grant system in each State. Apart from this the State was free to do what it liked with the grants provided that the relevant legislation was not *ultra vires*.

With regard to States' right to borrow or contract loans the Commission stated that 'in view of the degree of future autonomy which we recommend for the States, there ought in addition to be more general provisions authorising the States to contract loans'.<sup>59</sup> However, it recommended that States' right to borrow or contract loans should be one of the specified financial matters to be referred to the NFC for consultation between the Central and State Governments.<sup>60</sup> It further argued that 'since the State and the Local authorities have such limited independent revenue and since it is undesirable that such small borrowing authorities should compete against each other for narrowly limited savings, it seems essential that all loans should be raised by the Federal Government'.<sup>61</sup> The Commission accepted the allegation of State financial officers that in the past the practice was that States and Local authorities were 'last in the queue' for moneys raised by loans. To

avoid this the Commission recommended that all loans raised by the Central Government should be made only after considering the needs of the States as well as those of the Federation as a whole.

The federal idea can also be protected by the provisions for amending the Constitution. This raises two questions: how amendable ought a constitution to be, and how should it be amended? On this the Commission emphasized that 'the method of amending the Constitution should be neither so difficult as to produce frustration nor so easy as to weaken seriously the safeguards which the Constitution provides'.<sup>62</sup> The Commission envisaged the Senate as a major safeguard for the States in matters concerning amendments to the Constitution. It recommended that in the Senate each State should have two representatives elected by the State Legislative Assembly and the Central Government should have eleven representatives appointed by the Yang Di-Pertuan Agong. Thus the State and Central Governments would have twenty-two and eleven representatives respectively in the Senate.<sup>63</sup> It further recommended that:

Amendments should be made by Act of Parliament provided that an Act to amend the Constitution must be passed in each House by a majority of at least two-thirds of the members voting. *In this matter the House of Representatives should not have the power to overrule the Senate. We think that this is sufficient safeguard for the States because the majority of members of the Senate will represent the States.*<sup>64</sup>

The composition of the Senate was thus viewed by the Commission as a 'block' to amendments which the majority of States opposed.

Sir William McKell and Mr Justice Abdul Hamid dissented from the Commission's recommendations. They argued that a Senate truly representative of the States, and one in keeping with modern democratic constitutions and with the terms of reference, should have no Central nominees and should 'consist of an equal number of members from each State, to be elected on the same franchise as that on which members will be elected to the House of Representatives'.<sup>65</sup> They were also opposed to the principle of indirect election whereby State legislatures were to elect twenty-two Senators. They submitted three reasons for their opposition. First, it would make Senators responsible to the State legislatures and not directly responsible to the people of each State. Second, the State legislatures' duties relate to domestic powers vested in

them under the Constitution and thus 'it should not be part of their function to choose for the people their representatives in the national parliament whose functions it is to exercise powers national in character untrammelled by considerations of local concern'.<sup>66</sup> This was a surprising reason for if the Senate was to be a truly 'States' body' then Senators ought to reflect and defend considerations of local (State) concern. Third, the American experience before 1913 had shown that indirect election by the State legislatures had resulted in the most grave abuses.

The Commission's recommendations on emergency powers opened the way for Central infringements of States' Rights. Such infringements would be justified, it argued, in situations of danger which threatened the nation. However, 'the occasions on which, and so far as possible the extent to which, such powers can be used should be limited and defined'.<sup>67</sup> It must thus be for 'Parliament to determine whether the situation is such that special provisions are required'.<sup>68</sup> As Parliament includes the Commission's States-dominated Senate, States' Rights could conceivably still be protected. In making these recommendations it was very much aware of the violence and potential danger to Malaya of the still-existing Emergency.<sup>69</sup> Mr Justice Abdul Hamid pointed out, however, that there was no request 'for inserting a part relating to Emergency provisions of this nature in the Constitution and no Constitution of the Commonwealth countries excepting India and Pakistan has a chapter of this kind'.<sup>70</sup> He was particularly critical of the recommendation that Parliament was to be the sole judge of whether special provisions were required. He argued that the use of Emergency provisions would make it necessary not only to suspend constitutional guarantees for States but also for the Central Government to take over legislative and executive authority from the States. He believed that if Emergency powers were at all necessary, then

... it is necessary that such extraordinary powers should be available *only on the occurrence of an emergency of an extremely dangerous character and not when Parliament without the existence of an emergency of any serious kind makes use of these extraordinary powers by making a statement that a situation has arisen which calls for the exercise of those powers...* It is in my opinion unsafe to leave in the hands of Parliament power to suspend constitutional guarantees only by making a recital in the Preamble that conditions in the country are beyond the reach of ordinary laws.<sup>71</sup>

This argument implied that a Declaration of Emergency ought to be contestable in court by a plaintiff State as to its validity. In short, a Declaration of Emergency should be made justiciable.<sup>72</sup>

The *Reid Report* recommended a federal state with a strong Central bias. It emphasized the principle of equality in the constitutional status of States in their relation with one another and to the Centre. The power of the States in certain key areas cannot, it appeared, interfere with national planning. While the States appeared to have power over certain matters that were traditionally State affairs, it seemed that the Centre was in a position to control all essential matters. The onus would seem to be with the Centre to make federalism work and States' Rights meaningful. The Senate was intended by the Reid Commission to be a body to safeguard States' Rights, especially in matters concerning amendments to the Constitution. However, its effectiveness as such a body would be reduced by several factors. First, its composition and the method of selecting its members would make it only partly a States' Rights body. Second, there was no Constitutional provision requiring State Senators to vote as instructed by the State legislature concerned. Third, it would be very difficult for States' representatives in the Senate, because of party politics, to form a 'united front' against the political authority of the House of Representatives. This ability to form a 'united front' would in turn determine their ability in the Senate to block constitutional amendments that were considered damaging to States' Rights.

### *The 1957 Constitution*

The Constitution of 1957, a revised version of the Reid Report Draft Constitution,<sup>73</sup> created a Federation of eleven States—Perlis, Kedah, Penang, Selangor, Perak, Trengganu, Negri Sembilan, Malacca, Johore, Pahang and Kelantan. These States, with certain exceptions,<sup>74</sup> were equal in their constitutional status and relations to one another. All States were equal in their relations to the Centre but they were not equal to the Centre except in constitutional recognition. This Constitution eschewed 'special privilege' being accorded to any founder States, rich or poor, of the Federation. The only difference in the status of the member States, conceivably, was dictated by their origins as a Malay State or Crown Colony. But in substance and in fact all the founder States shared a common status.

During the debate on the Constitutional proposals in the Federal Legislative Council, Tunku Abdul Rahman, the Chief Minister, re-emphasized that 'It is a fundamental part of the proposals as a whole that Penang and Malacca should take their places in the new Federation as equal partners with the Malay States'.<sup>75</sup> The Federal Councillor, Haji Ahmad, however, was especially critical of the equal status accorded to Penang. He asked, 'Why should the Island be made a separate State when, we all know, it was part of Kedah. The British Government gained possession of the Island by lease and if the British administration of the Island is to come to [an] end, it should revert to the State of Kedah.'<sup>76</sup>

Legislative powers were divided into Federal, State, and Concurrent Lists; with residual powers remaining with the States.<sup>77</sup> These lists also defined the extent of Central and State executive powers. Whether each State Government was, within defined legislative and executive powers, autonomous appeared problematic since there were a number of other constitutional provisions which permitted the Central Parliament to legislate on State matters. For example, Article 76 accorded the Central Parliament such powers 'to provide uniformity of law and policy', particularly on land and local government matters. This power was meant, according to a British White Paper, 'only for the purpose of ensuring uniformity of law and policy, and if any such law makes provision for conferring executive authority on the Federation it will not operate in any State unless approved by resolution of the Legislative Assembly of that State'.<sup>78</sup> Tunku Abdul Rahman assured the Federal Legislature that the application and administration of policy passed under this clause would be the sole concern of the States. Furthermore State Governments would find that these arrangements would not operate to their detriment.<sup>79</sup> Centre-State controversy over the constitutional interpretation of Article 76 could emerge if this clause was used to justify Central legislation on any topic.

Tun Abdul Razak Hussein, the Deputy Chief Minister, admitted that Article 76 was an exception to the Reid Commission's general rule that legislative and executive powers should go together. He argued that although land was a State subject this Article would provide Parliament with the power to legislate for the purpose of uniformity and 'We have in mind, as explained in the Reid Constitutional proposals, the formulation of a National Land Code for the whole country at some future date'.<sup>80</sup> This

Article, especially its Section 4, contained a threat to the federal principle. It could provide the basis for Central legislative interference since consent of the State or States was not required.<sup>81</sup> If the Central Government insisted on exercising this power to the fullest, the States would be powerless and the federal principle would then disintegrate.

Central Government power was further enhanced by Article 92. This Article concerned the Central Government's power to acquire State land for national development and national-interest projects. The Reid Commission had recommended that the Central Government should have the power, subject to certain limitations, to pass any legislation required to carry into effect any development and conservation scheme declared in such legislation to be in the national interest. The British White Paper noted that 'This important recommendation has been welcomed by both the Federal and the State Governments'.<sup>82</sup> However, it warned that 'it would be neither practicable nor desirable for the Federal Government to use this power for the purpose of formulating and implementing national policies covering all aspects of the use of land, and it was clearly not the intention of the Commission that the power should be used in this way'.<sup>83</sup> Abdul Aziz Ishak, a Central Minister, gave an assurance that in the implementation of national development schemes under this Article, 'the closest personal and direct liaison and understanding of the point of view of State Governments and officials is now and will continue to be maintained'.<sup>84</sup>

Most damaging of all, Article 150 provided, after a declaration of emergency, the Central Parliament with wide powers to make laws on almost all State matters. Furthermore, through several constitutional provisions the Central Government could exercise some control over the States. For example, Article 94 required that the agricultural and forestry officers of the States accept the professional advice of the Central Government in respect of their duties.

The financial provisions of the Constitution further enhanced Central Government power.<sup>85</sup> The Central Government controlled the major sources of revenue through being the main taxing authority. Tunku Abdul Rahman justified these provisions in terms of the need to equalize the levels of wealth among the States. He argued that if States were to be given important taxing powers wealthy States could become even wealthier while poor States

could become even poorer. He believed that only the Central Government, with such powers, could accomplish this equalization of wealth among the States,<sup>86</sup> which, except for revenue from land and forests, had no significant sources of revenue. Furthermore, the Central Government controlled the borrowing powers of the States. States would have to depend on Central Government allocations and grants to cover the deficits in expenditure. The States, in the main, would thus be financially dependent on the Central Government.

Tunku Abdul Rahman claimed that he was aware of the need for States to achieve a level of financial independence. He pointed out that the Constitutional Working Committee, when examining the Reid Commission's recommendations on Centre-State finance, felt that the Constitution itself should include provisions safeguarding the financial positions of the States because 'sooner or later the Government of a State will be formed by a political party which is in opposition to the party in power in the Federal Parliament'.<sup>87</sup> However, the safeguarding of the States' financial position was to be achieved not by the granting of wide taxing and borrowing powers but by continuing the practice whereby the Centre would make large grants to the States and by writing 'into the Constitution that the State Governments will be entitled as of right to receive certain grants and other sources of revenue'.<sup>88</sup> He felt confident that under the new proposals the States would achieve 'complete financial autonomy' and viewed the NFC as 'a most useful forum of debate' within which Centre-State financial relations could be constructively discussed.<sup>89</sup>

Centre-State co-operation was ensured in several ways. For example, Article 81 provided that the executive authority of every State should be so exercised so (a) as to ensure compliance with any Federal law applying to that State, and (b) as not to impede or prejudice the exercise of executive authority. The onus for co-operation, it seemed, had been placed on the States. As such the provision ensuring co-operation may be viewed by the States as not being much different from Central control. State powers over land and local government were somewhat reduced by the establishment of the National Land Council (NLC) and the National Council for Local Government (NCLG). Both the Centre and the States were represented in these bodies and the policy decisions of the NLC and NCLG concerning land and local government respectively were binding on both the Central and State Govern-



ments.<sup>90</sup> There was thus joint Centre-State responsibility for land and local government. In view of the composition<sup>91</sup> of the NLC and NCLG, however, the Central Government needed only the concurring votes of two States in the NLC, and the concurring vote of one State in the NCLG, to effect a policy on land and local government respectively which would bind all State Governments.

The States were not given a direct role in the amendment process except that any amendment to alter the boundaries of any State required the consent of that State expressed in a law passed in the State's legislature.<sup>92</sup> The Central Parliament was and remains the only body, in general, concerned with the amending process. The only strict constitutional safeguard for the States was provided by Article 159 which required that any major constitutional amendment should be passed by a two-thirds majority of the full membership of both Houses of Parliament.<sup>93</sup> It was in the composition of the Senate that States could at least hope to be able to block any amendment prejudicial to their interests. The Reid Commission had envisaged the Senate, with twenty-two State-elected and eleven Centre-appointed Senators, as the body most able to defend States' interests during the amendment process. The 1957 Constitution, however, increased the number of Centre-appointed Senators to sixteen while the number of State-elected Senators remained at twenty-two. If the Commission's recommendation had been accepted then there would have been some semblance of a restraining safeguard against constitutional amendments should the State-elected Senators decide to 'block' any such amendment. Provision, nevertheless, was made in Article 45(4)(b) for Senators to be directly elected at a later stage.

The 1957 Constitution established a Federation with a clearly strong Centre and Central bias. The functioning federal system would, however, largely depend on Centre-State harmony and co-operation, especially in finance, land, and local government. The failure of the NFC, NLC and NCLG to achieve substantial agreement between the States and the Centre could aggravate controversies on such issues because of the competing and overlapping delineation of Centre-State responsibilities. In such controversies the self-restraint of the Central Parliament is important for the maintenance of the federal system.

*Amendments and Interpretations*

Conflicts over the interpretation of constitutional provisions regarding federalism and Centre-State powers have been frequent. Such conflicts emerged especially during debates concerning certain amendments to the Constitution and the Centre's use of Emergency provisions. On two occasions such conflicts necessitated the adjudication of the Courts.

In just nineteen years of Independence the Constitution was amended no less than seventeen times.<sup>94</sup> The Constitution embodied the formal elements of the 'federal bargain'. Constitutional amendments of Centre-State provisions concerned, essentially, the process of unmaking and remaking a formerly agreed federal relationship. The amendment process has been crucially affected by changes in the composition of the Senate. The provisions for amendment were also exceedingly liberal.

At Malayan Independence in 1957 the proportion of State-elected to Centre-appointed Senators was twenty-two to sixteen. With the formation of Malaysia in 1963 the proportion became twenty-eight to twenty-two. In 1964 the Constitution was amended<sup>95</sup> to provide for Centre-appointed Senators to be in the majority for the first time: the proportion now was twenty-eight to thirty-two. Dr Ismail bin Dato Abdul Rahman, the Minister for Home Affairs, argued that the increase in Centre-appointed Senators was 'desirable in order to get wider representations in the Senate consequent on the formation of Malaysia. This will enable His Majesty to appoint more persons of wider experience and ability to take an active part in the government of this country.'<sup>96</sup> With Singapore's separation from Malaysia on 9 August 1965 the number of State-elected Senators was reduced to twenty-six but the number of Centre-appointed Senators remained unchanged. These changes seemed to deny the safeguard envisaged by the Reid Commission and they essentially went against the spirit of the Commission's recommendations that

We think that there should be a substantial majority of elected members even though the powers of the Senate are to be considerably less than the powers of the House of Representatives; and we recommend that Parliament should have power to reduce the number of nominated members or abolish them if a time should come when that is thought desirable.<sup>97</sup>

The above changes made it difficult for the Senate to be the repository of States' Rights and for State-elected Senators to 'block'

any amendment. Constitutionally the federal system was left unprotected since the Central Parliament could unilaterally amend the Constitution as long as the Central majorities approved.

### **The Constitution (Amendment) Act, 1962: No. 14/62**

This Act amended, *inter alia*, the amendment procedure of Article 159(4) by inserting paragraph (bb) to it. With this amendment only a simple majority instead of the two-thirds majority in both Houses of Parliament was now required for the passing of 'an amendment made for or in connection with the admission of any State to the Federation or its association with the States thereof, or any modification made as to the application of the Constitution to a State previously so admitted or associated'.<sup>98</sup> The scope of the 'modification', however, was not clear.

On the one hand, if the amendment had dealt only with the admission of new States it might have been seen simply as a device by the party currently in power to guarantee its control over the admission of new States should it lose the two-thirds majority in both Houses which it commanded to secure this amendment. On the other hand, that Parliament by a simple majority should be given the power to effect 'any modification made as to the application of the Constitution to a State previously so admitted or associated' appeared to have removed the possibility of the Constitution serving to protect the federal principle. With regard to the States of Malaya, this opened the door to all manner of modifications without the tedious necessity of obtaining the two-thirds majority of the total members in each House.<sup>99</sup> The Malayan States' lack of power in the amending process was highlighted in the case, which will be examined later, of *The Government of Kelantan v. The Government of Malaya and Tunku Abdul Rahman Al-haj*.<sup>100</sup>

The 1962 amendment had retrospective application from Independence Day, 31 August 1957. This choice for the effective date of the applicability of the amendment, as Groves argued, could only be for the purpose of making it applicable to the existing States.<sup>101</sup> No State, however, had been 'previously so admitted' to the Federation because the Federation of Malaya Independence Act, 1957, which established the Federation, was clearly a compact between Great Britain and the Rulers of the Malay States. This compact created a new entity, the Federation of Malaya. Before

this there was no entity to which a State was admitted and upon the formation of the Federation not one of the original States could be spoken of as being previously 'associated' with the Federation. States were 'associated' only with one another and with Great Britain to form the Federation. As Groves argued, this amendment made it 'possible for a simple majority in the House of Representatives to vary at any time, as a purely unilateral action, any agreement which any State now joining the Federation may make with the Government of the Federation of Malaya as to its admission and association'.<sup>102</sup> Later Sheridan and Groves argued somewhat differently. Since all the States of the Federation had at some time been 'previously so admitted', all amendments to the application in any respect of the Constitution to any State (except for what Article 161E entrenched for the Borneo States) seemed to be outside the requirement of a two-thirds majority.<sup>103</sup> However, no Court has yet had to consider what an application of the Constitution 'to a State' means.

**The 1963 Constitutional Amendment:  
The Malaysia Act, No. 26/63<sup>104</sup>**

The Constitution clearly provided that the Central Parliament may by law admit other States to the Federation.<sup>105</sup> However, this could be done only by an amendment to the Constitution in view of Article 1 which enumerated the States comprising the Federation. The Malaysia Act, apart from providing for other amendments, provided this necessary amendment.

By virtue of this Act three new States—Singapore, Sarawak, and North Borneo (Sabah)—were admitted into the Federation. The Act made several amendments to the Federal Constitution to reflect the terms of agreement between the Federation Government, the British Government, and each of the three new States.<sup>106</sup> These amendments converted the Federation of Malaya Constitution into the Federation of Malaysia Constitution. They also emphasized the different constitutional status and power enjoyed by the new States.<sup>107</sup> The new States were thus admitted on terms substantially at variance with those applicable to the original eleven States. Also, with regard to amendments, some constitutional limitations were introduced by the 1963 Malaysia Act in respect of the Borneo States. Article 161E provided safeguards for the constitutional position of the Borneo States.<sup>108</sup> Thus any modification made to the application of the Constitution to a

Borneo State required a two-thirds vote in both Houses of Parliament. This requirement could be waived only if the modification was such as to equate or assimilate the position of that State under the Constitution to the position of the States of Malaya. The Borneo States thus had secured for themselves some safeguards against amendments adverse to their special interests or incompatible with the basic objectives for which they entered the Federation. However, as Jayakumar stated, 'in respect to the other eleven States, and in respect of the Borneo States in matters outside article 161E, Parliament has tremendous amending powers in the exercise of which the States do not have the slightest say'.<sup>109</sup>

The debate over the Malaysia Bill in the Dewan Raayat (House of Representatives) provided the opportunity for re-examining the constitutional status of States in relation to one another and to the Central Government. An Opposition Member of Parliament (MP), V. Veerapan, argued that this Bill 'really mutilates our Constitution and kills the Federation of Malaya . . . [and] the Federation Government should not only have discussed this matter here but it should also have consulted the States'.<sup>110</sup> He pointed out that the Federation of Malaya Agreement, 1957, establishing the Federation, was a compact between the Queen of Great Britain and the Rulers of the Malay States. This compact took effect only after it had been approved by the former Federal Legislative Council and by an Enactment in each of the eleven States. Equally, the same legal procedure should be followed before the establishment of the Federation of Malaysia. Thus,

... the States not only have a moral right to be consulted but also the States may have a legal right. . . . If the Federation Government runs rough-shod over this moral obligation, then I should say that it is a breach of faith on the part of the Central Government. I hope the States would wake up, because if they do not the present amendment and those amendments that have taken place—like, I think, Article 159(4) (bb)—would further erode away the rights of the States. . . .<sup>111</sup>

Wan Mustapha Haji Ali, a PAS MP, voiced similar sentiments. He argued that although the Bill would change the whole constitutional set-up of this country 'the individual States in the Federation of Malaya have not been consulted, and neither were the Rulers or Sultans of the States'.<sup>112</sup> He argued further, referring to the *Reid Report*, that even if the Constitution did not provide for consultation in this matter, convention required that any major change of policy (like this Malaysia Bill) must be based on prior

consultation with the States.<sup>113</sup> Consultation with the Rulers was also necessary because the Malaysia Bill contained no provision which would safeguard the constitutional position of the States of Malaya. As an example, he pointed out that 'under clause 69 Singapore before joining Malaysia has safeguarded her constitutional position, whereas the Malay States have none at all through the constitutional documents of the States, and there is nothing stated here in the Bill for those States as prescribed for Singapore'.<sup>114</sup>

To this criticism, Dr Ismail bin Dato Abdul Rahman maintained that 'if it is intended that the States should be consulted when the question of admission of new States arises, then it would have been written in the Constitution'.<sup>115</sup> However, the Constitution required that the Conference of Rulers be consulted and according to Tun Abdul Razak, the Deputy Prime Minister, the 'Conference of Rulers had been consulted on more than five occasions on the question of Malaysia'.<sup>116</sup> He argued that the present case was different from the constitutional reform years of 1948 and 1957 when consultation with the individual Rulers and States occurred. Furthermore, he rightly emphasized, the Constitution which had been agreed to previously by all the States provided the Central Parliament with the power under Article 2 to admit new States. It did not, however, provide for any consultation process with regard to the exercise of this Article.<sup>117</sup>

The admission of three new States with substantially more States' Rights also led to criticism since it violated the principle of equality as regards rights and status of States in relation to one another and to the Central Government. Tan Phock Kin, an Opposition MP, warned that this violation would lead to the destruction of the new Federation because inequality would breed dissatisfaction among the States.<sup>118</sup> Lim Kean Siew, another Opposition MP, asserted that the Bill entrenched the principle of inequality between the States of Malaysia—the original eleven States on one side and the three new States on the other.<sup>119</sup> The principle of equality was first contained in the Federation of Malaya Agreement of 1948 and this Bill, according to Veerapan, was based on an opposite principle. Although the Constitution provided that any other State can be admitted, Veerapan asked, 'Do you think honestly that the founders would want other people to come in with better rights, with better privileges, than themselves?'<sup>120</sup> Zulkifli Muhammed, another PAS Opposition MP, claimed that

the admission of the three new States, with different rights and status from those enjoyed by the States in the Federation of Malaya, was unconstitutional.<sup>121</sup> Collectively, opponents agreed that the Bill would eventually lead to disaster. They concluded that the Bill contained the seeds of disunity which could lead to the destruction of the Federation.

Dr Ismail admitted that the special rights and status given to the new States were concessions for enticing these States to federate. Without these concessions it would not have been possible to establish the Federation. He informed the House that

In the case of Singapore, . . . she is given autonomy in education and labour and a certain degree of autonomy consistent with the concept of a strong central government. Singapore would like its own citizenship in addition to the Malaysian citizenship with the safeguard that Singapore citizens should have corresponding rights with those of the Malayan citizens who are not Singapore citizens. In the case of the territories of Sarawak and North Borneo, they are to be federated on the same lines as other States in the existing Federation with certain safeguards. It is in the light of these two different ways in which Singapore and the Borneo territories have agreed to be federated with the Federation of Malaya that the provisions of this Bill have to be reviewed.<sup>122</sup>

Additional financial guarantees for the new States also constituted part of the price of federation. Thus Centre-State financial relations for the new States were different from those for the original eleven States. According to Tan Siew Sin, the Finance Minister, these financial provisions were necessary so as to overcome the financial and economic backwardness of Sarawak and Sabah.<sup>123</sup> But who, Tan Phock Kin asked, was going to bear the burden of financing development in Sarawak and Sabah?<sup>124</sup>

Singapore, however, was 'rewarded' for being financially and economically more developed than the original eleven States and the other two new States. It was jealous of its wealth and fearful of the possibility that this 'New York' would become the future paymaster of the new Federation. The tenacity with which Singapore defended its financial interests could be seen in the fact that Centre-Singapore financial arrangements were to be negotiated on a yearly basis.<sup>125</sup> These arrangements were thus subject to bargaining and, possibly, change annually unlike those governing Centre-State financial relations for the other States, which had been spelled out, even to the last dollar, in the Constitution.

Despite specific constitutional safeguards available to the new

States opponents of the Bill warned of the danger of Clause 39 of the Bill. Clause 39(1) and (2) amended the Emergency provisions of Article 150 of the Constitution by deleting the words 'whether by war or external aggression or by internal disturbance' and adding 'in any part of the Federation'. It would thus be possible, Veerapan concluded, for a state of emergency to be proclaimed irrespective of whether there was war, external aggression or internal disturbance in any part of the Federation.<sup>126</sup> He warned that the Central Government through the proclamation of emergency would have the powers over the States, the constitutional safeguards enjoyed by the new States notwithstanding. The proclamation of emergency, he warned, 'could be in Sarawak, it could be in Borneo, it could be in Singapore, it could be in Johore or Kelantan—and what would happen?'.<sup>127</sup> He chided the new States for their lack of foresight and remarked that 'I hope that the people who were so eager, so careful, so clever, much cleverer and more careful than the people of the eleven States of Malaya, would also consider the implication of this little amendment'.<sup>128</sup> Lim Kean Siew was convinced that Clause 39(1) and (2) would destroy all the rights reserved or any rights reserved for the various States under this constitutional arrangement.<sup>129</sup> Furthermore, as stated by Wan Mustapha Haji Ali, this amendment would alter drastically the original position as provided in the present Constitution.<sup>130</sup> To these criticisms the Central Government was, characteristically, silent. As it turned out, such powers were used to proclaim a state of emergency in Sarawak and Kelantan in 1966 and 1977 respectively. Critics viewed the Malaysia Bill as an attempt by the Central Government to change the Malayan federal structure. The admission of three new States with substantially more power over States' Rights and enjoying certain constitutional safeguards placed the original eleven States in an inferior constitutional position compared to that of the three new States. This violated the principle of equality of States in terms of their relations to one another and to the Central Government, the principle advocated by the Reid Commission and subsequently provided for by the 1957 Constitution.

In criticizing Tun Abdul Razak's assertion that the Bill did not change the 'substance' of the present Constitution, Tan Phock Kin commented that 'He must realise that with the introduction of the new States, the position of the present States with regard to the new States are [*sic*] entirely different, though their position among themselves are [*sic*] somewhat the same'.<sup>131</sup> Critics of the



Bill asserted that such a change in the federal structure should necessarily be based on prior consultation with the original eleven States of the Federation. Did the Central Parliament have the power to unmake and remake, through the Malaysia Act, the present federal arrangement? This the Court, as will be seen later, would have to decide.

### **The 1965 Constitutional Amendment: The Government of Malaysia (Amendment) Act, 1965, No. 31/1965<sup>132</sup>**

This was an amendment to Article 95C(1) of the Constitution. By virtue of this amendment the Yang Di-Pertuan Agong (the Supreme Monarch) may by order authorize the legislatures of the States to make and execute laws in respect of any matter in the Federal list. This power, then restricted to the Borneo States, was to be applicable to all the States of the Federation. This amendment was designed, according to Dr Ismail, to 'smoothen the administration as between the Centre and the States'.<sup>133</sup>

Dr Tan Chee Khoo, an Opposition MP, commented that this amendment represented a considerable erosion of the powers of the State Governments. State Governments, he continued, should have been consulted and their approval obtained prior to the Bill's introduction to Parliament.<sup>134</sup> The Central Government now had the opportunity to use the 'imperial edict', as it was labelled, to force recalcitrant States into line under the guise of being, as Dr Ismail justified it, 'mainly designed to smoothen the functioning of the machinery of government both in the States and in the Centre'.<sup>135</sup>

It seemed that the Bill had been directed at PAS-controlled Kelantan which had since 1959, as discussed in Chapter 10, vigorously pursued its own way. Kelantan, often involved in a political tug-of-war with the Centre, became, indeed, the visible defender of States' Rights. Dr Lim Chong Eu, an Opposition MP, referred to Kelantan's opposition to the Bill and remarked that 'They naturally feel it very much, because they, as a State, have understood the constant struggles between State and Federal powers'.<sup>136</sup> He further argued that a 'Federation of States' must involve the acceptance of the concept of State powers. It necessarily followed that there must always be this constant struggle between State and Central powers. Dr Ismail insisted, however, that 'it has never been the intention of the Central Government to take the powers

from the States as enshrined in the Constitution... [and that of] all the amendments... in this Bill, some had been done at the request of the States and some after consultation with the States'.<sup>137</sup> Nevertheless the amendments represented, especially to Kelantan, a further encroachment upon State powers.

### **The Constitution and Malaysia (Singapore Amendment) Act, 1965, No. A53/1965<sup>138</sup>**

The Constitution did not provide for secession. Groves believed, however, that Sabah, Sarawak, and Singapore, or any other new States that might subsequently be admitted, could be dissociated from the Federation by an Act of Parliament repealing the constitutional amendments by which they were admitted.<sup>139</sup>

This Act was preceded by the Singapore Separation Agreement, 1965, entered into by the Central Government and the State Government of Singapore. Dr Lim Chong Eu rightly pointed out that 'neither the State Government of Singapore, nor indeed the Central Government, under the Constitution, which has not yet been amended, has the right to provide for the severance of a State from Malaysia'.<sup>140</sup> Ong Kee Hui, a Sarawak MP, who was particularly apprehensive about the future of Sarawak, asked whether if at some future date the Government of the Borneo States were to be less amenable to Alliance direction the same reason would then be advanced for further partition of Malaysia. He warned that this would be the beginning of the disintegration of Malaysia.<sup>141</sup> Abu Bakar Hamzah, a Kelantan PAS Opposition MP, feared that the Central Government would on the same basis take similar action with regard to Kelantan. Without being specific, he warned of the consequences of Singapore's separation on the operation of the Malaysian Federation.<sup>142</sup>

Despite the questionable constitutional basis for separation, the amendment was passed in each House without any opposing vote. This case suggested that separation or secession must be effected through Centre-State agreement rather than by unilateral action.

### **The Constitution (Amendment) Act, 1971, No. A30/1971**

This Act provided the basis for the return of party politics and parliamentary rule after a period of Emergency rule through the National Operations Council (NOC) which was imposed in May

1969 following racial riots. Major amendments were made to the Constitution.<sup>143</sup> Three amendments especially affected the federal aspects of the Constitution. First, Articles 63 and 72 were amended, thus depriving MPs and Members of States' Legislative Assemblies of the protection they had previously enjoyed under these Articles if they were charged with an offence under any law passed by virtue of the amended Article 10. Second, the amended Article 10, *inter alia*, provided Parliament with the power to pass laws prohibiting the questioning of any matter, right, status, position, privilege, sovereignty, or prerogative established or protected by Article 181 concerning the sovereignty of the States' Rulers.<sup>144</sup> But before Parliament passed such a law the Sedition Act would apply and this made such questioning a 'seditious tendency'. Finally, changes were made to Article 159(5) which was thereby entrenched; it now cannot be amended without the consent of the Conference of Rulers.<sup>145</sup>

Intentionally or not, perhaps ironically for UMNO, the impact of the constitutional restructuring was to reinforce the institution of States' Rulers by placing it above and beyond public debate. Further, they now, through the Conference of Rulers as a Central institution and with the entrenched veto, had become crucially relevant to the amendment process. Ironically, the States' Rulers emerged with enhanced powers and the Centre would have to tread cautiously into the as yet uncharted waters of Centre-State Rulers relations.

The Conference of Rulers comprises the hereditary Rulers of Johore, Kedah, Kelantan, Negri Sembilan, Pahang, Perak, Perlis, Selangor and Trengganu, and the Governors of Malacca, Penang and, since 1963, Sabah and Sarawak. The Conference meets three or four times a year. Before the 1971 Constitutional Amendment (Act 30/1971), the Conference's consent was required for amendments relating to the Conference of Rulers itself, the precedence of Rulers and Governors, the federal guarantee of Rulers, and the special position and privileges of the Malays and natives of Sabah and Sarawak and the legitimate interests of other communities.<sup>146</sup> Act 30/1971 further enhanced its role within the amendment process.<sup>147</sup> In some fields the members of the Conference<sup>148</sup> may 'act in their discretion' but when the Conference considers 'matters of national policy' the members are accompanied by their respective elected Heads of Government: the Prime Minister in the case of the Yang Di-Pertuan Agong, the Mentri Besar or Chief Ministers in

the case of other members. On these matters the Yang Di-Pertuan Agong, Rulers and Governors must take the advice of their respective elected Heads of Government. Although many of the meetings of the Conference seem to be of a routine nature and dealing essentially with matters of religion, the 1983 constitutional crisis (as discussed in the next section) indicated its increasingly direct and public political stance.

### **The Constitution (Amendment) Act, 1984**

This represented a resolution of the controversy over the Constitution (Amendment) Bill, 1983. The 1983 Bill proposed twenty-two amendments to the Constitution. The discussion, however, will be confined only to those amendments that relate to the federal aspects of the Constitution. Clause 12(b) proposed amending Article 66(5) such that a Bill duly passed by Parliament would become law within fifteen days of the Bill being presented to the Yang Di-Pertuan Agong.<sup>149</sup> The Federal Constitution, however, requires that State laws must not be contrary to Federal laws.<sup>150</sup> Thus if Parliament approves a law specifically defining the King's right to assent to Federal bills, a similar law defining the State Rulers' rights to assent to State bills should also be approved by the State Legislative Assemblies. Clause 21(c) proposed to do just this by amending the Eighth Schedule, Section 11(3), so that a Bill duly passed by the State Legislative Assembly would become law within fifteen days of the Bill being presented to the State Ruler.<sup>151</sup> In essence these amendments sought to trim the rights and powers of the Constitutional Monarch (the Yang Di-Pertuan Agong) and the State Rulers as they relate to the legislative process at the Central and State levels respectively. Up till then no Yang Di-Pertuan Agong had refused royal assent to Parliamentary legislation but several Rulers in their own States had previously held up State legislation by delaying royal assent. The use of this power only served to emphasize the real potential of State Rulers to operate as independent centres of State power. This power if not strictly and constitutionally defined is especially inimical to a Prime Minister who wants to assert Central control over the States by ensuring that the *Mentri Besar* and Chief Ministers he nominates are answerable to the Centre.

Clause 20 of the Bill proposed amending Article 150 such that the Yang Di-Pertuan Agong's powers concerning the Proclama-

tion of Emergency would be transferred to the office and person of the Prime Minister.<sup>152</sup> This would empower the Prime Minister to declare an Emergency without being subject to Cabinet and Parliamentary control, or judicial review. This power would indeed have been potent. Emergency powers, as used previously in Sarawak and Kelantan (discussed later), had been crucial in shaping Centre-State relations. Such powers were already located at the Centre but this amendment sought to further strengthen the power of the Prime Minister, the head of the Central executive. The location of such powers provides one index of the centralization of power and this amendment was unequivocally geared to strengthen the position of the Prime Minister in and at the Centre *vis-à-vis* the States.

The Constitution (Amendment) Bill, 1983, was tabled in Parliament on 25 July 1983 and duly passed by Parliament on 10 August 1983. Royal assent, however, was withheld. The ensuing constitutional crisis pitted the elective component, as represented by UMNO (the dominant party in the National Front coalition government), against the traditional component, as represented by the Rulers and institutionalized by the Conference of Rulers, of Malaysian society. The crisis was resolved only on 15 December 1983 after protracted negotiations and a compromise between the two sides. It was officially laid to rest on 9 January 1984 when Parliament amended Clauses 12(b), 20 and 21(c) of the 1983 Amendment Bill as contained in The Constitution (Amendment) Act, 1984.

Clause 21(b) of this Act amended Clause 12(b) of the 1983 Bill, thereby modifying the provision assuming royal assent within fifteen days. The Yang Di-Pertuan Agong could now return together with his reasons any piece of legislation to Parliament thereby effectively delaying it for a maximum of sixty days before royal assent is assumed to have been given.<sup>153</sup> However, Clause 4(b) of the Act deleted Clause 21(c) of the 1983 Bill. The rights and powers of State Rulers in the legislative process within their own States remained as before the introduction of the 1983 Bill.<sup>154</sup> Hence, the position of the Yang Di-Pertuan Agong and that of the State Rulers within the legislative process at the Centre and States respectively now became clearly different. Thus, in this case, State law does not conform to Federal law. However, the Prime Minister stated on 16 December 1983 that the State Rulers had given an oral undertaking that they would not unreasonably withhold assent to

State legislation.<sup>155</sup> Clause 3 of the Act deleted Clause 20 of the 1983 Bill which retained the powers to proclaim an Emergency with the Yang Di-Pertuan Agong.

In the context of Centre-State relations the constitutional crisis highlighted two opposing trends: the Centre's desire to concentrate political power at the Centre and the State Rulers' desire to safeguard their role as they see it—at least within their respective States. Thus the Centre's desire means whittling away at any potential independent centres of State power as they were and remain manifested by the State Rulers and the institution of the Sultanate. The 1983 Bill represented the Centre's attempt to constitutionally chart the waters of Centre-State Rulers relations. The 1984 Act succeeded in emphasizing the constitutional limits of direct participation by the Yang Di-Pertuan Agong in the Central legislative process. However, at the State level the Rulers' constitutional role with regard to the legislative process remained unchanged.

### *The Centre's Use of Emergency Provisions*

#### **The Emergency (Federal Constitution and Constitution of Sarawak) Act, 1966, No. 68/1966<sup>156</sup>**

Following a leadership crisis in Sarawak, a state of emergency was declared in that State in September 1966. This crisis was largely precipitated by Central involvement in Sarawak's politics in which several political parties were jostling one another to arrive at certain political alliances.<sup>157</sup> As a result the then Chief Minister of Sarawak, Stephen Kalong Ningkan, lost the support of the 'majority' of the Council Negri (the State Legislative Assembly) members. The Governor, acting on representation from this 'majority' group, requested the Chief Minister to resign since he no longer had the confidence of the majority in the Council. The Chief Minister refused and was subsequently 'dismissed' by the Governor. Penghulu Tawi Sli, the Malaysian National Alliance Council's appointee rather than that of the Sarawak Alliance Council, was then appointed Chief Minister.

Stephen Kalong Ningkan challenged his dismissal in the High Court of Kuching; Chief Justice Harley declared the dismissal of the petitioner void on the ground, *inter alia*, that the private representation made to the Governor by Council members did not show a lack of confidence in the petitioner which could only be assessed

by a formal vote in the legislature.<sup>158</sup> Penghulu Tawi Sli then requested the Speaker to convene the Council Negri so that a proper vote of no confidence might be taken against the petitioner. The Speaker refused and Sarawak politics became tense and serious. This was the background to the proclamation of a state of emergency in Sarawak.

The Emergency legislation provided for the amendment of both the Federal and Sarawak State Constitutions. The main aim of these amendments—especially Sections 3, 4 and 5 of the Emergency legislation—was to make good the lack of powers on the part of the Governor on which Chief Justice Harley had based his judgment. As Tun Abdul Razak explained, the Emergency legislation was aimed at amending Sarawak's Constitution and providing the Governor with

... the powers to convene a meeting of the Council Negri in order that the question of confidence in the present Government of Sarawak may be put to test and also the power to dismiss the Chief Minister or the Government from office if that Government or that Chief Minister refuses to resign after he has received a vote of no confidence in the Council Negri.<sup>159</sup>

Section 3 amended Clauses (5) and (6) of Article 150<sup>160</sup> by inserting after 'this Constitution' the words 'or in the Constitution of Sarawak' and after 'Constitution' the words 'or of the Constitution of the State of Sarawak' respectively. These were intended to give the Central Parliament power, while a Proclamation of Emergency was in force, to amend the State Constitution of Sarawak without following the procedure laid down by Article 41 of the State Constitution, which provided that any amendment to the State Constitution must be by an ordinance enacted by the legislature of Sarawak and by no other means. Section 4 drastically enlarged the powers of the Governor of Sarawak by providing that, notwithstanding anything in the State Constitution, the Governor might summon the Council Negri, suspend standing orders, and issue directions binding on the Speaker. Section 5 provided that the Governor might, in his absolute discretion, dismiss the Chief Minister and the members of the Supreme Council if (a) at any meeting of the Council Negri a resolution of no confidence in the Government was passed by a majority of the members present voting, and (b) the Chief Minister after the passing of such a resolution failed to resign and to tender the resignation of members of the Supreme Council.

This legislation was not without its opponents. D. R. Seenivasagam, an Opposition MP, criticized it as unconstitutional and undemocratic and argued that this unlawful interference in Sarawak affairs would be the quickest way in which to break up Malaysia. He remarked that the Central Parliament's 'power to pass a Bill of this nature, to amend the Constitution of Sarawak, whether you have the power will be a matter which, I hope, will be tested and, I hope again, as the Prime Minister says, an independent judiciary will interpret whether the power is there or not'.<sup>161</sup> Dr Tan Chee Khoo, another Opposition MP, felt that the House of Representatives did not have the power to amend the Constitution of Sarawak and that this 'power rests solely with the State of Sarawak, with its Council Negri and with its Supreme Council'.<sup>162</sup> Stephen Yong Kuet Tze, a Sarawak MP, argued that this legislation violated one of the conditions—that of the inviolability of the State Constitution—precedent to Sarawak's entry into Malaysia. He pointed out that 'The Honourable Minister for Sarawak Affairs knows this because during the Cobbold Commission, his people, or the majority of his people, strongly put forward that the Sarawak Constitution could not be interfered with or amended without the consent of the State'.<sup>163</sup> He warned that this legislation signalled the beginning of the end for the safeguards negotiated and granted to Sarawak.<sup>164</sup> To this Central interference Edmund Langgu anak Saga, another Sarawak MP, poignantly asked, 'Why can't the Federal Government let our State Government and the people to [*sic*] settle our State differences without the stupid blundering interference from Kuala Lumpur?'<sup>165</sup>

The criticism aside, the important question remained whether the Central Parliament during an emergency could amend the Constitution of a State. The Federal Court and, subsequently, the Privy Council were given the task of answering this question in a suit, examined later, brought by Stephen Kalong Ningkan against the Government of Malaysia.

### **The Emergency Powers (Kelantan) Act 1977, No. 192/1977<sup>166</sup>**

Following the political crisis in Kelantan, as discussed in Chapter 10, Central rule was imposed through a Proclamation of Emergency in November 1977. With this the Kelantan State Constitution, but not the prerogatives of the Sultan, was suspended. The



powers of the Mentri Besar, State Executive Council (Exco) and the State Legislative Assembly (SLA) were assumed by a Director of Government, appointed by and responsible to the Prime Minister.

Dato (later Tun) Hussein Onn, the Prime Minister, argued that the imposition of Central rule was both unavoidable and necessary because of the deteriorating security situation caused by public disorder, demonstrations, and rioting. He asserted that these resulted out of the debilitating and unresolved political crisis that started with the no-confidence vote against the Mentri Besar in the State Legislative Assembly and thus 'unavoidably, the Central Government had to intervene'.<sup>167</sup> He continued that the deteriorating security situation could be exploited by communists, extremists, anti-national and subversive elements and thus could endanger the security and stability of the nation as a whole.<sup>168</sup>

PAS President Dato Mohamed Asri bin Haji Muda, calling this Central intervention the 'Emergency of Convenience', alleged that the deteriorating security situation was stage-managed and implied that this had the foreknowledge, even backing, of those at the State and Centre.<sup>169</sup> This allegation was supported by Lim Kit Siang, an Opposition MP, who also reminded the Central Government that parliamentary democracy and the system of Centre-State Government should not be sacrificed just for the sake of party political advantage.<sup>170</sup> Another PAS MP, Abu Bakar Umar, argued that the political crisis could and should be solved through political means rather than through the imposition of Central rule.<sup>171</sup> This was supported by Lee Lam Thye, another Opposition MP, who also warned that in future Central rule would be imposed in States where UMNO was not satisfied with the majority party or parties in the SLA or the security threat could be used to justify a proclamation of emergency.<sup>172</sup>

The governing party at the Centre was provided with the constitutional power and through its control of the necessary Central majority in Parliament was able to impose Central rule on a State through a declaration of emergency. It saw fit to resort to this *vis-à-vis* Kelantan and consequently another threshold in the Centre-State relations in Peninsular Malaysia was crossed.

*Court Cases***The Government of the State of Kelantan v. The Government of the Federation of Malaya and Tunku Abdul Rahman Putra Al-haj<sup>173</sup>**

The PAS-controlled Government of Kelantan on 10 September 1963 instituted an action in the High Court seeking, *inter alia*, a declaration that the Malaysia Act was null and void or, alternatively, that it was not binding on Kelantan. The State argued that the Act would abolish the 'Federation of Malaya' thereby violating the Federation of Malaya Agreement, 1957; that the proposed changes needed the consent of each of the constituent States, including Kelantan; that the Ruler of Kelantan should have been a party to the Malaysia Agreement; that constitutional convention called for consultation with Rulers of individual States if substantial changes were to be made to the Constitution; and that the Central Parliament had no power to legislate for Kelantan in respect of any matter regarding which the State's legislature had competence. This last argument was perplexing. What, in the Act, could be considered as being within the competence of Kelantan's legislature?

On 11 September 1963 the plaintiff government gave notice of a motion that pending the disposal of its suit the Court should by order restrain the defendants from carrying into effect any of the provisions of the Act. However, the Court did not answer the above question. Surprisingly the Kelantan Government had not even suggested that the Act was not passed strictly in accordance with constitutional provisions relating to Acts amending the Constitution. Undeniably the Act established a Federation with many new alterations but the crucial question was not whether these alterations were desirable but whether they were properly effected.

In a rather swift judgment, Chief Justice Thomson held that: (1) Parliament in enacting the Malaysia Act so as to amend *inter alia* Article 1(1) and (2) acted within the powers granted by Article 159 of the Constitution. The Constitution which formed an integral part of the Federation of Malaya Agreement, 1957, to which Kelantan was a party, did not require consultation with any State as a condition to be fulfilled; (2) the Malaysia Agreement was signed for the 'Federation of Malaya' by the Prime Minister, the Deputy Prime Minister, and four other members of the Cabinet. This was in compliance with Articles 39 and 80(1) of the Constitution and

there was nothing whatsoever in the Constitution requiring consultation with any State Government or the Ruler of any State. Chief Justice Thomson admitted that the Act did bring about certain changes and a new state of affairs but in 'bringing about these changes Parliament has done no more than exercise the powers which were given to it in 1957 by the constituent States including the State of Kelantan'.<sup>174</sup> However, he introduced an interesting idea with his remark: 'I cannot see that Parliament went in any way beyond its powers or that it did anything *so fundamentally revolutionary as to require fulfilment of a condition which the Constitution itself does not prescribe* [such as consultation with the States].'<sup>175</sup> Thus if the amendments, even if they complied with the Constitution, attempted to effect 'so fundamentally revolutionary' a change, then certain extra-constitutional conditions (like consent of or consultation with States) would also need to be fulfilled if the amendments were to be effective. Jayakumar has suggested that Kelantan seemed to have had this in mind when it argued that there was a constitutional convention which called for consultation with States regarding substantial changes to be made to the Constitution.<sup>176</sup>

What, however, determined that a change was 'so fundamentally revolutionary'? The Chief Justice did not provide any clue to this. However, the documents of federation (1957) clearly showed that the States had consented to the Constitution being an exclusive declaration of rights, liabilities and obligations of the States and the Federation. If the States wanted any fundamental limitations of federal power they should have included them in the 1957 Constitution. This was clearly the intention of the three new States that joined the Federation to form the Federation of Malaysia. They agreed to federate only after certain terms and conditions were included in the Constitution. Furthermore, these new States had secured provisions in the Constitution restricting the Centre's power, with the exception of Article 150, to amend the above terms and conditions by requiring the concurrence of the States to such amendments. The original eleven States cannot now say that there were other limitations (not in the Constitution) which ought to apply. The appeal and adherence to 'other limitations' would undermine the very purpose of the Constitution. Jayakumar commented: 'If the States now, after seven years, feel that they have given the Centre too much power, it is their own misfortune and their proper course would be to seek amendments to, but not rely

on mysterious limitations outside the Constitution.<sup>177</sup> The changes brought about by the Act were properly effected. Kelantan did not doubt the gravity of the changes effected by the Act but this in itself could not render the Act invalid. In this case it was asserting that 'a Constitution is more than mere words, and that custom and convention can often supply the spirit which the letter may lack'.<sup>178</sup>

### **Stephen Kalong Ningkan v. Government of Malaysia<sup>179</sup>**

Stephen Kalong Ningkan, in taking legal action against the Central Government in the Federal Court, submitted that (a) the Proclamation of Emergency was *ultra vires* and invalid, and that the Emergency (Federal Constitution and Constitution of Sarawak) Act, 1966, which was founded on it, accordingly fell within it in its entirety; (b) even if the Proclamation of Emergency was valid, Sections 3, 4 and 5 of the Act purported to amend the Constitution of Sarawak in a manner which had been committed by Article 41 of the Constitution of Sarawak to the legislature of Sarawak and was therefore beyond the powers of the Central Parliament to enact.

The petitioner's first submission would depend on whether the Court could review the validity of a Proclamation of Emergency; was the Proclamation of Emergency justiciable? Article 150, Clause (1), clearly provided that if the 'Yang Di-Pertuan Agong is satisfied that a grave emergency exists whereby the security or economic life of the Federation or of any part thereof is threatened, he may issue a Proclamation of Emergency'. Syed Sheh Barakbah, the Lord President, felt that, in a Proclamation of Emergency which had been issued according to the Constitution, 'it is incumbent on the Court to assume that the government is acting in the best interest of the State and to permit no evidence to be adduced otherwise. In short, the circumstances which bring about a Proclamation of Emergency are non justiciable'.<sup>180</sup> He further emphasized that 'the Yang Di-Pertuan Agong is the sole judge and once His Majesty is satisfied that a state of emergency exists it is not for the Court to inquire as to whether or not he should have been satisfied'.<sup>181</sup> Azmi bin Mohamed, the Chief Justice, argued similarly.<sup>182</sup> The declaration of non-justiciability suggested that the qualifying words 'whereby the security or economic life of the Federation or of any part thereof is threatened' could not be expected to provide the expected safeguard against abuse of the use

of emergency power by the Central Government.

Ong Hock Thye, the Federal Judge, argued differently. He stated that the Yang Di-Pertuan Agong, under Article 41 of the Federal Constitution, must always act on Cabinet advice. Similarly, it was on Cabinet advice that His Majesty proclaimed a state of emergency. The Cabinet never denied responsibility of its role in this. It was this Cabinet role and not that of the Yang Di-Pertuan Agong, he submitted, which the petitioner alleged as a case of fraud in that the proclamation was made not to deal with a grave emergency whereby the security or economic life of Sarawak was threatened but for the purpose of removing the petitioner from his lawful position as Chief Minister of Sarawak. He reminded the Court that:

... the inbuilt safeguards against indiscriminate or frivolous recourse to emergency legislation contained in article 150 specifically provide that the emergency must be one 'whereby the security or economic life of the Federation or of any part thereof is threatened'. If those words of limitation are not meaningless verbiage, they must be taken to mean exactly what they say, no more and no less, for article 150 does not confer on the Cabinet an untrammelled discretion to cause an emergency to be declared at their whim and fancy. According to the view of my learned brethren, however, it would seem that the Cabinet have *carte blanche* to do as they please—a strange role for the judiciary who are commonly supposed to be bulwarks of individual liberty and the Rule of Law and guardians of the Constitution.<sup>183</sup>

While asserting that acts of the executive, especially a Proclamation of Emergency, should be justiciable, he felt that in this case the petitioner had failed to make out a good case that the Proclamation of Emergency was invalid.<sup>184</sup>

To the question of justiciability the Privy Council stated that 'the onus was on the appellant to prove the allegations on which his first submission depended'.<sup>185</sup> Their Lordships felt, however, that the appellant had failed to prove his allegations.

The petitioner's second submission referred to the question of whether, during an emergency, the Central Parliament could amend the Constitution of a State. Barakbah L.P. felt that Clause (5) of Article 150 authorized the Central Parliament to make amendments to the Sarawak Constitution during an emergency.<sup>186</sup> Azmi C.J. was of the same opinion, Article 41(1) of the Sarawak Constitution notwithstanding.<sup>187</sup> Ong Hock Thye F.J. argued that 'the overriding consideration of an emergency which justifies an amendment of the Federal Constitution itself must no less justify an

amendment of the State Constitution, so far as may be strictly necessary'.<sup>188</sup>

In the Privy Council their Lordships felt that the Sarawak Constitution, Article 41(1) notwithstanding, could be amended by Article 150(5) during an emergency. They noted that the agreement and instruments relative to Sarawak's entry into Malaysia showed that 'the parties to that Agreement must have realised that the powers of the Federal Parliament conferred by that article, during the currency of a Proclamation of Emergency, might be used to amend, for the time being, the provisions of the Sarawak Constitution of 1963'.<sup>189</sup> They also commented on the 'width' of Clause (5) of Article 150 which, subject to Clause (6A), authorized the Federal Parliament to make laws 'with respect to any matter' and observed that 'These words could scarcely be more comprehensive'.<sup>190</sup> However, in view of the terms of Article 41(1) of the Constitution of Sarawak, they felt that any amendment to Sarawak's Constitution during an emergency should only be temporary.

This case suggested that the Central Government, armed with emergency powers, could significantly affect Centre-State relations. The non-justiciability of the declaration of emergency could indeed lead to abuses in the use of emergency powers by the Central Government.

### *Conclusion*

The Reid Commission and the Federation of Malaya Constitution provided for a Federation of eleven States which were made constitutionally equal in their relations to one another and to the Centre. However, by virtue of the 'special concessions' granted to the three new States, the Federation of Malaysia Constitution created a Federation within which the three new States were in a more advantageous position than the original eleven States. What emerged was a two-tier federation system: the Federation of Malaya which federated the original eleven States and the Federation of Malaysia which federated these States with the three new States. The conferring of 'special concessions' violated the principle, emphasized by the Reid Commission and enshrined in the 1957 Constitution, that all the States under the Constitution should enjoy the same status and rights in their relations to one another and to the Centre.

A clearly strong Centre and Central bias had been recommended

by the Reid Commission and provided for by the 1957 Constitution. The Central Government had on several occasions shown a liberal willingness, despite opposition, to use the powers, especially those within the amendment and emergency provisions, vested by the Constitution. These, together with the decisions of the Courts on the use of such powers, only served to emphasize the overwhelming legislative and, sometimes, executive dominance of the Central Government. In a situation where constitutionally the Central Government is dominant, the 'federalness' of the Malaysian nation will be significantly determined by the self-restraint (or the lack of it) of the Centre in the use of those vast powers, particularly amending powers, that it commands while conducting its affairs with the States. Since Malayan Independence the complex and interlinking political, legislative, and judicial processes have all cast their shadows on the federal idea.

1. *Report of the Federation of Malaya Constitutional Commission, 1957*, Kuala Lumpur, Government Press, 1957. The Federation of Malaya Constitutional Conference—a meeting of the representatives of the British Government, the Malay Rulers, and the United Malays National Organisation held between January and February 1956 in London—recommended the appointment of this Commission. See Federation of Malaya, *Self-Government for the Federation of Malaya: Report of the Constitutional Conference, London, January–February 1956*, Kuala Lumpur, Government Press, 1956, p. 18. The following were members of the Commission: Lord Reid as Chairman, Sir Ivor Jennings of the United Kingdom, Sir William McKell of Australia, Mr B. Malik of India, and Mr Justice Abdul Hamid of Pakistan. The Commission and its Report will be referred to as the Reid Commission and the *Reid Report* respectively.

2. *Reid Report*, p. 6. This was recommended by the Federation of Malaya Constitutional Conference. See Federation of Malaya, *Self-Government for the Federation of Malaya*, p. 18. Lord Ogmore advised the Alliance delegation to this Conference that the main point about the form of constitution that it should propose was that the Central authority must have powers over the State Governments. The constitution that Malaya needed, he continued, was a cross between those of Ceylon and Canada. See H. Miller, *Prince and Premier: A Biography of Tunku Abdul Rahman Putra Al-haj, First Prime Minister of the Federation of Malaya*, London, George G. Harrap & Co. Ltd., 1959, p. 137.

3. The Labour Party's memorandum to the Reid Commission demanded the establishment of a unitary Government for an Independent Malaya. It argued that a federal structure, by retaining the Sultans and States, was essentially feudal in character. See *Straits Echo and Times of Malaya*, 29 September 1956.

4. G. P. Means, *Malaysian Politics*, 2nd ed., London, Hodder & Stoughton, 1976, p. 228.

5. *Straits Echo and Times of Malaya*, 26 September 1955.

6. *Straits Echo and Times of Malaya*, 19 February 1956 and 20 July 1956.

7. The Alliance was a coalition of the United Malays National Organisation (UMNO), the Malayan Chinese Association (MCA), and the Malayan Indian Congress (MIC).

8. For further details on the Penang secessionists, see M. N. Sophe, *From Malayan Union to Singapore Separation: Political Unification in the Malaysia Region, 1945-1965*, Kuala Lumpur, Penerbit Universiti Malaya, 1976, pp. 71-80.

9. *Ibid.*, p. 74.

10. See The Alliance, *Alliance Memorandum to the Reid Constitutional Commission*, n.d., pp. 1-2. This will be referred to later as the *Alliance Memorandum*. See also *Straits Echo and Times of Malaya*, 25 August 1956.

11. *Straits Echo and Times of Malaya*, 4 September 1956.

12. *Ibid.* The Penang MCA suggested that the Constitution should only be altered by a three-fourths majority in the Federal Legislature, by a three-fourths majority of the States as constituent members of the Federation, and also by a three-fourths majority of a popular referendum.

13. *Sunday Times*, 15 December 1955.

14. Collectively, the Malay Rulers were apprehensive about the move towards speedy Independence because of the fate that befell their Indian counterparts after Indian Independence. To pacify them the UMNO and the Alliance Government pledged to protect the Rulers' rights and privileges by including them in the country's new Constitution in return for their full support for rapid advancement towards Independence. See W. Shaw, *Tun Razak: His Life and Times*, London, Longman, 1976, p. 103. UMNO realized that the Rulers' support was vital for the establishment of an independent federation because they would have 'to waive some of their rights over their respective territories in order to establish the Federation'. See *Alliance Memorandum*, p. 1. The Rulers thus had to be persuaded. Eight other Rulers assured Tunku Abdul Rahman, UMNO President and Alliance leader, that they disagreed with the views of the Sultan of Johore. See B. Simandjuntak, *Malayan Federalism, 1945-1963*, Kuala Lumpur, Oxford University Press, 1969, p. 76.

15. *Straits Echo and Times of Malaya*, 24 October 1955. A fuller discussion of the PKMJ's secessionist activities is provided by M. N. Sophe, *From Malayan Union to Singapore Separation*, pp. 80-5.

16. *Straits Times*, 24 November 1955. The KMUF was obviously referring to the appointment of non-Malays of the MCA and MIC as Ministers in the Malayan Government under the Member-System prior to Independence.

17. *Singapore Standard*, 21 October 1955.

18. Unfortunately, apart from the *Alliance Memorandum*, evidence regarding the memoranda, especially that of the Rulers, has been sketchy. The *Alliance Memorandum* was prepared by an Alliance Ad Hoc Political Committee. It was submitted to the Reid Commission on 9 September 1956 by an Alliance delegation led by Tunku Abdul Rahman and comprising, from UMNO, Tun Abdul Razak, Mohd. Khir Johari and Senu Abdul Rahman, and from MCA, Bang Pang Hwa and Eng Ek Tiong, and from MIC, V. T. Sambanthan and Ramanathan. See UMNO, *Penyata UMNO, Tahun 1955-1956*, p. 6.

19. *Alliance Memorandum*, pp. 1 and 10. See also *Straits Echo and Times of Malaya*, 28 September 1956.



20. *Alliance Memorandum*, p. 7. See also *Straits Echo and Times of Malaya*, 25 August 1956.
21. *Alliance Memorandum*, p. 7. It was considered necessary that the Central Government should have residual powers because of the need for a smooth and efficient administration for the country as a whole, especially in times of crisis.
22. *Ibid.*
23. *Ibid.*
24. *Ibid.*, pp. 8-9. See also *Straits Echo and Times of Malaya*, 28 September 1956.
25. *Alliance Memorandum*, p. 9.
26. *Ibid.*
27. *Ibid.* See also *Straits Echo and Times of Malaya*, 28 September 1956.
28. *Alliance Memorandum*, p. 3.
29. *Ibid.*, p. 20.
30. The *Reid Report* seemed to suggest this. See *Reid Report*, p. 7. This was confirmed by E. O. Laird. Interview with E. O. Laird, formerly Secretary to the Reid Commission, 22 October 1979.
31. *Reid Report*, p. 8. 'National priorities' shaped the Commission's recommendations. Interview with E. O. Laird.
32. *Reid Report*, p. 35. 'Secessionists' and other non-federal demands did not represent an important part of the memoranda submitted. Furthermore, many demands were contrary to the Commission's frame of reference. Interview with E. O. Laird.
33. The Reid Commission provided for this in Article 2 of the Draft Constitution of the *Reid Report*. This provision was probably made in response to several representations concerning several 'disputed' areas. For example, apart from the question of Penang, the 'State Council' of 'Negri Naning'—a Minangkabau Settlement incorporated into Malacca in 1845—in its memorandum demanded the return of its 'sovereignty'. See Sophe, *From Malayan Union to Singapore Separation*, p. 84, n. 100.
34. *Reid Report*, p. 36. To ensure this the Reid Commission recommended Article 66—the 'essential provisions' requirement that each State Constitution must provide for. It further recommended that these provisions should be enforceable by Parliament. Part I of the Fifth Schedule of the Draft Constitution contained details of the 'essential provisions'. The Reid Commission's adherence to the principle of equality in terms of autonomy among the States was in response to the fears of Penang and Malacca concerning their status and position in a future independent Federation of Malaya.
35. *Reid Report*, pp. 11-12.
36. *Ibid.*, p. 36.
37. *Ibid.* For details see Article 75 and Schedule VI. (division of powers) of the Draft Constitution of the *Reid Report*.
38. *Ibid.*, p. 53. Means argued that the Commission gave residual powers to the States partly on the assumption that the Federation was a creature of the States from which ultimate authority was derived. See Means, *Malaysian Politics*, p. 183.
39. *Reid Report*, p. 36. Article 76 of the Draft Constitution provided for this.
40. *Ibid.*, pp. 36-7. Article 148 of the Draft Constitution provided for this.
41. *Ibid.*, p. 37. Article 70 of the Draft Constitution provided for this. The Reid

Commission was especially keen on drafting and enacting a National Land Code. See *ibid.*, p. 39.

42. *Ibid.*, p. 37. The issue of land was especially 'sticky'. Interview with E. O. Laird.

43. *Reid Report*, p. 39.

44. *Ibid.*, pp. 48-9. As in the case with land, the Central Government was also empowered to formulate an overall policy on mining, forestry, and agriculture (all matters on the State List). Under the Federation of Malaya Constitution of 1948, the Centre had legislative power for compulsory acquisition of land but the States had the executive authority. The Reid Commission believed that the Central Government was both the custodian and the propagator of the 'national interests'.

45. *Reid Report*, pp. 41-2. Article 78 of the Draft Constitution provided for this.

46. *Ibid.*, p. 46.

47. Article 84 of the Draft Constitution provided for this.

48. *Reid Report*, p. 60.

49. *Ibid.*, p. 61.

50. *Ibid.*, p. 60.

51. Further, the Commission felt that the subjects transferred to the Centre were essentially national in scope and character and thus should properly be within the jurisdiction of the Centre. Interview with E. O. Laird.

52. *Reid Report*, p. 60.

53. *Ibid.*

54. *Ibid.*, p. 61.

55. *Ibid.*

56. *Ibid.*, pp. 61 and 64. The NFC was to be a purely consultative and advisory body. Its members comprised the Prime Minister, a Federal Minister, and the eleven *Mentri Besar* or Chief Ministers of the States. It was to meet at least once a year to discuss and deal with questions relating to Centre-State financial relations.

57. *Ibid.*, p. 48.

58. *Ibid.*, p. 65. These provisions were contained in the Fifth Schedule of the Draft Constitution.

59. *Ibid.*, p. 63.

60. *Ibid.*, pp. 63-4. Article 102 of the Draft Constitution provided for this.

61. *Ibid.*, p. 64.

62. *Ibid.*, p. 33.

63. *Ibid.*, p. 26.

64. *Ibid.*, p. 33. *Emphasis added.*

65. *Ibid.*, p. 34.

66. *Ibid.*, p. 35.

67. *Ibid.*, p. 74.

68. *Ibid.*, p. 75.

69. The Emergency was declared in 1948 when the Malayan Communist Party began an armed campaign for Malayan Independence.

70. *Reid Report*, p. 104.

71. *Ibid.* *Emphasis added.*

72. A similar argument was presented by Sarawak (the plaintiff State) when it contested the validity of the Emergency (Federal Constitution and Constitution of Sarawak) Act, 1966. This case is examined later.

73. The Draft Constitution was reviewed and minor revisions made by the

Constitutional Working Committee that met during March-May 1957. The Committee comprised four representatives each from the Malay Rulers and the Alliance Government, the High Commissioner, the Chief Secretary to the Government, and the Attorney-General as the representative of the Crown. It was reported that the Committee found it difficult to resolve several issues: the status of Penang and Malacca upon the withdrawal of the sovereignty of the Crown; financial rights of the States; and control of land by the States. See *Straits Times*, 2 May 1957, pp. 1 and 9. Tunku Abdul Rahman admitted that the Rulers' representatives in this Committee were not initially sympathetic to the recommendation that the Federation ought to have wide powers regarding the use of land. They believed that this could limit the autonomy of States. See Federation of Malaya, *Federal Legislative Council Debates*, 10 July 1957, col. 2854.

74. For example, Perlis was permitted some variation in the 'essential provisions' of its Constitution. See Article 71(5)(b). The Mentri Besar of Perlis had argued that because Perlis was backward it was unable to adopt these provisions in their entirety immediately. See Federation of Malaya, *Federal Legislative Council Debates*, 10 July 1957, col. 2967.

75. *Ibid.*, col. 2849.

76. *Ibid.*, col. 2909.

77. Article 74 and the Ninth Schedule of the Constitution.

78. Colonial Office, *Constitutional Proposals for the Federation of Malaya*, London, Cmnd. 210, June 1957, p. 11.

79. Federation of Malaya, *Federal Legislative Council Debates*, 10 July 1957, col. 2854.

80. *Ibid.*, col. 2978. The National Land Code Bill was introduced in Parliament in August 1965. The then Minister of Land and Mines, Abdul Rahman Yaakub, stated that this Bill 'is presented with the unanimous support of the Government of the States' and it has been fully discussed and debated in the National Land Council. See Federation of Malaysia, *Malaysian Parliamentary Debates, Dewan Raayat*, Vol. II, No. 8, 9 August 1965, col. 1581.

81. However, where a law, passed under these Articles, provides for the conferment of executive authority upon the Federation, it cannot operate in any State unless approved by the legislature of the State.

82. Colonial Office, *op. cit.*, p. 12.

83. *Ibid.*

84. Federation of Malaya, *Federal Legislative Council Debates*, col. 2924. Article 92 could provide the impetus for a centripetal tendency. The continuance of this tendency would, however, *inter alia*, depend upon the success of the Central Government in tackling the vital problems like economic expansion and rural development.

85. See Part IV, Articles 96, 109, and 111 of the Constitution.

86. Federation of Malaya, *Federal Legislative Council Debates*, cols. 2854-7.

87. *Ibid.*, col. 2854.

88. *Ibid.*

89. *Ibid.*, col. 2858.

90. Articles 91 and 95A. The NCLG was established by Clause 12 of the Constitution (Amendment) Bill, 1960. Tun Abdul Razak justified its establishment for the sake of uniformity and co-ordination of local government affairs. He pointed out that as a result of discussions with the Mentri Besar and Chief Ministers of the

States on this matter 'it has been agreed with the State Governments that there should be established a National Council for Local Government on the same lines as the National Land Council. It is hoped that with the establishment of this NCLG there will be continuous consultation between Federal and State Governments on matters of policy and legislation affecting local government.' See Federation of Malaya, *Malayan Parliamentary Debates, Dewan Raayat*, Vol. II, No. 3, 22 April 1960, col. 307.

91. The NLC comprised a Central Minister as Chairman (without the casting vote), one representative from each State appointed by the Ruler or Governor of the State, and a maximum of ten representatives appointed by the Central Government. The NCLG comprised similar representatives with the exception that the Chairman had the casting vote. The ratio of Centre to State representatives in both bodies was eleven to eleven. The NLC and NCLG together with the NFC were (as they remain) the formal Centre-State bodies within which Centre-State issues could be tackled and co-operative federalism could take root.

92. Article 2(b). R. H. Hickling suggested that some clauses which concern Centre-State relations, such as Articles 71(3), 74, 76(4), and 80, should be capable of amendment only with the approval of the States. See his 'The First Five Years of the Federation of Malaya Constitution', *Malaya Law Review*, Vol. IV, No. 2, December 1962, p. 202.

93. Article 159 was amended in 1962 and this, as will be seen later, significantly affected the federal idea.

94. Tan Sri Mohamed Suffian bin Hashim, *An Introduction to the Constitution of Malaysia*, Kuala Lumpur, Government Press, 1976, p. 34.

95. Act 19/64, Section 6. See Federation of Malaysia, *Acts of Parliament, 1964*, Kuala Lumpur, Government Press, 1964, p. 88.

96. Federation of Malaysia, *Malaysian Parliamentary Debates, Dewan Raayat*, Vol. 1, No. 8, 9 July 1964, cols. 1109-10.

97. *Reid Report*, p. 26.

98. Clause 24 of the Constitution (Amendment) Act, 1962. See Federation of Malaya, *Acts of Parliament*, Kuala Lumpur, Government Press, 1963, p. 206.

99. Watts claimed that the Central Government considered it prudent to consult State Assemblies and party organization before the passage of the 1962 Amendment Bill. See R. L. Watts, *New Federations: Experiments in the Commonwealth*, Oxford, Oxford University Press, 1966, p. 323.

100. [1963] *Malayan Law Journal*, 335. Watts argued, citing the 1962 amendment as an example, that because of conventions and the pressures of political forces, it had become customary for the Central Government to consult the State Governments before the introduction of important constitutional amendments, even in those instances where the States possessed no formal powers of ratification. See Watts, *New Federations*, pp. 300-2.

101. H. E. Groves, 'Constitutional (Amendment) Act, 1962', *Malaya Law Review*, Vol. 4, No. 2, 1962, p. 329.

102. *Ibid.*

103. L. A. Sheridan and H. E. Groves, *The Constitution of Malaysia*, Dobbs Ferry, New York, Oceana Publications, 1967, p. 15.

104. See Federation of Malaya, *Acts of Parliament, 1963*, Kuala Lumpur, Government Press, 1963, pp. 243-326.

105. Article 2(a) of the Constitution.

106. For terms of the Agreement, see Office of Commonwealth Relations, *Malaysia: Agreement Concluded between the United Kingdom of Great Britain and North Ireland, the Federation of Malaya, North Borneo, Sarawak and Singapore*, Cmnd. 2094, London, July 1963. See also Federation of Malaya, *Report of the Inter-Governmental Committee, 1962*, Kuala Lumpur, Government Press, 1963.

107. See Item 3, Part IV and First Schedule of the Malaysia Act, 1963.

108. Article 161E provided that with regard to the application of the Constitution to the Borneo States an amendment of the Constitution would still require a two-thirds majority in both Houses of Parliament and in a number of specified cases would require the concurrence of the Governor of the Borneo States or each of the Borneo States concerned.

109. S. Jayakumar, 'Constitutional Limitations on Legislative Powers in Malaysia', *Malaya Law Review*, Vol. 9, No. 1, July 1967, p. 110.

110. Federation of Malaya, *Malayan Parliamentary Debates, Dewan Raayat*, Vol. V, No. 11, 17 August 1963, cols. 1155-6.

111. *Ibid.*, cols. 1156-7. Article 159(4)(bb) referred to the 1962 amendment discussed earlier.

112. *Ibid.*, cols. 1164-5.

113. *Ibid.*, col. 1167. *Reid Report*, pp. 14-15, noted that convention required consultation between the Central and State Governments before any major change of policy.

114. Federation of Malaya, *Malayan Parliamentary Debates, Dewan Raayat*, Vol. V, No. 11, 17 August 1963, col. 1169.

115. *Ibid.*, Vol. V, No. 13, 20 August 1963, col. 1351.

116. *Ibid.*, Vol. V, No. 12, 19 August 1963, col. 1316.

117. *Ibid.*, Vol. V, No. 13, 20 August 1963, col. 1355.

118. *Ibid.*, Vol. V, No. 6, 12 August 1963, col. 717.

119. *Ibid.*, Vol. V, No. 10, 16 August 1963, cols. 1058-71.

120. *Ibid.*, Vol. V, No. 11, 17 August 1963, col. 1157.

121. *Ibid.*, Vol. V, No. 12, 19 August 1963, col. 1248. He also criticized the fact that the new States, unlike the original eleven States, were not governed by the powers given to the National Land Council and the National Council for Local Government. See *ibid.*, col. 1269.

122. *Ibid.*, cols. 1284-5.

123. *Ibid.*, col. 1301.

124. *Ibid.*, Vol. V, No. 13, 20 August 1963, col. 1451.

125. Article 112E of the Constitution.

126. Federation of Malaya, *Malayan Parliamentary Debates, Dewan Raayat*, Vol. V, No. 11, 17 August 1963, col. 1158.

127. *Ibid.*, cols. 1158-9.

128. *Ibid.*

129. *Ibid.*, Vol. V, No. 13, 20 August 1963, col. 1416.

130. *Ibid.*, col. 1422.

131. *Ibid.*, col. 1342.

132. See Federation of Malaysia, *Acts of Parliament, 1965*, Kuala Lumpur, Government Press, 1965.

133. Federation of Malaysia, *Malaysian Parliamentary Debates, Dewan Raayat*, Vol. II, No. 5, 3 June 1965, col. 1058.

134. *Ibid.*, cols. 1038-9.

135. *Ibid.*, col. 1058.
136. Federation of Malaysia, *Malaysian Parliamentary Debates, Dewan Raayat*, Vol. II, No. 5, 3 June 1965, col. 1045.
137. *Ibid.*, col. 1058.
138. See Federation of Malaysia, *Acts of Parliament, 1965*, pp. 277-9.
139. H. E. Groves, *The Constitution of Malaysia*, Singapore, Malaysia Publishers, p. 152.
140. Federation of Malaysia, *Malaysian Parliamentary Debates, Dewan Raayat*, Vol. III, No. 8, 9 August 1965, col. 1508.
141. *Ibid.*, cols. 1508-9.
142. *Ibid.*, col. 1511.
143. For a full discussion see Federation of Malaysia, *Parliamentary Debates on the Constitution Amendment Bill 1971*, Kuala Lumpur, Government Press, 1972. See also R. S. Milne and D. K. Mauzy, *Politics and Government in Malaysia*, Vancouver, University of British Columbia Press, 1978, pp. 94-9.
144. See Articles 10(4) and 181 of the Constitution.
145. See Article 159(5) of the Constitution.
146. See Articles 38, 70, 71(1) and 153 of the Constitution.
147. See also H. P. Lee, 'The Process of Constitutional Change in Malaysia', in Tun Mohamed Suffian Hashim, *et al.*, eds., *The Constitution of Malaysia: Its Development, 1957-1977*, Kuala Lumpur, Oxford University Press, 1978, pp. 372-3.
148. See Article 38(3) and (6) of the Constitution.
149. *Constitution (Amendment) Bill, 1983*, p. 6.
150. Article 75 of the Constitution.
151. *Constitution (Amendment) Bill, 1983*, p. 12.
152. *Ibid.*, pp. 9-10.
153. *Constitution (Amendment) Act, 1984*, pp. 1-2.
154. *Ibid.*, p. 4.
155. *Far Eastern Economic Review*, 23 February 1984, p. 14.
156. See Federation of Malaysia, *Acts of Parliament, 1966*, Kuala Lumpur, Government Press, 1966, pp. 545-7.
157. See Means, *Malaysian Politics*, pp. 381-7.
158. *Stephen Kalong Ningkan v. Tun Abang Haji Openg and Tawi Sli* [1966] II, *Malayan Law Journal*, 187.
159. Federation of Malaysia, *Malaysian Parliamentary Debates, Dewan Raayat*, Vol. III, No. 12, 19 September 1966, col. 2061.
160. See Article 150(5) and (6) of the Constitution. Clauses (5) and (6) referred only to inconsistencies with the Federal Constitution and not with the Constitution of a State. Perhaps prompted by this doubt, the Central Government, when enacting the Emergency legislation to modify certain provisions of the Sarawak Constitution, made the amendments to these clauses. These amendments were to lapse six months after the Proclamation of Emergency ceased to be in force. See Section 3(2), The Emergency (Federal Constitution and Constitution of Sarawak) Act, 1966, in Federation of Malaysia, *Acts of Parliament, 1966*, Kuala Lumpur, Government Press, 1966, p. 546.
161. Federation of Malaysia, *Malaysian Parliamentary Debates, Dewan Raayat*, Vol. III, No. 12, 19 September 1966, col. 2081.
162. *Ibid.*, col. 2097.
163. *Ibid.*, col. 2088.

164. *Ibid.*, col. 2092.
165. *Ibid.*, col. 2114.
166. See *Laws of Malaysia, Act 192*, Kuala Lumpur, Government Press, 9 November 1977, pp. 5-9.
167. Federation of Malaysia, *Malaysian Parliamentary Debates, Dewan Raayat*, Vol. III, No. 37, 8 November 1977, col. 4120.
168. *Ibid.*, cols. 4122-3.
169. *Ibid.*, cols. 4132-7.
170. *Ibid.*, cols. 4154, 4156 and 4164.
171. *Ibid.*, col. 4215.
172. *Ibid.*, col. 4228.
173. [1963] *Malayan Law Journal*, 355.
174. *Ibid.*, 359.
175. *Ibid.* Emphasis added.
176. S. Jayakumar, 'Admission of New States (The Government of the State of Kelantan v. The Government of the Federation of Malaya and Tunku Abdul Rahman Putra Al-haj)', *Malaya Law Review*, Vol. VI, No. 1, July 1964, p. 187, n. 31.
177. *Ibid.*, p. 187.
178. R. H. Hickling, 'An Overview of Constitutional Changes in Malaysia: 1957-1977', in Tun Mohamed Suffian, *et al.*, eds., *The Constitution of Malaysia: Its Development, 1957-1977*, Kuala Lumpur, Oxford University Press, 1978, p. 10.
179. [1968] I *Malayan Law Journal*, 119.
180. *Ibid.*, 122.
181. *Ibid.*
182. *Ibid.*, 124.
183. *Ibid.*, 126.
184. *Ibid.*, 128.
185. On appeal to the Privy Council. See *Stephen Kalong Ningkan v. Government of Malaysia* [1968] II *Malayan Law Journal*, 241.
186. [1968] I *Malayan Law Journal*, 122.
187. *Ibid.*, 124.
188. *Ibid.*, 128.
189. [1968] II *Malayan Law Journal*, 243.
190. *Ibid.*

## Centre-State Financial Relations: Revenue, Expenditure, Fiscal Imbalances and Adjustments, and Co-ordination

THE integration of States in accordance with the federal principle implies some degree of legislative, executive and financial autonomy for the federating States. The degree of such financial autonomy depends on the arrangements that determine the pattern of Centre-State financial relations.

### *The Problem of Centre-State Financial Relations*

Centre-State financial relations are within the area of federal finance which Bhargava defines as 'the finance of federal as well as the state governments, and the relationship between the two'.<sup>1</sup> Several principles of federal finance have been advanced: among others, the principles of financial responsibility, compensation, derivation, needs, and equalization.<sup>2</sup> Briefly and simply, the principle of financial responsibility means that responsibility for raising and spending money should rest with the same authority. The principle of compensation has two components: revenue-sacrifice (loss of revenue) incurred by each State Government at the time of federation and disabilities subsequently suffered through the differential impact of Central policy. For both of these, States would have to be compensated. The principle of derivation is close to compensation. It means that the Central Government should return to the respective States a proportion of the revenue raised from within them. The principle of financial needs means the actual level of financial resources sufficient for a State to meet its responsibilities satisfactorily. The principle of equalization has two aspects, the short term and the long term. For the short term it is similar to the principle of financial needs in that since States have different fiscal capacities they are not equally capable of meeting their responsibilities. The financial needs of each State are thus



uneven and equalization seeks to adjust the financial capacity of the various States so as to enable them to equally fulfil their similar responsibilities. For the long term 'equalization' refers to the development strategy necessary to equalize the basic wealth of the individual States in the Federation. These principles are especially important because, through influencing the shape of Centre-State relations, they directly influence the autonomy of States which the federal structure was intended to protect. Thus, in a Federation of States, the financial autonomy of the States is necessary, in principle, if the legislative and executive autonomy envisaged for them are not to prove illusory.

In an age when the role of Government was narrowly conceived and 'dualistic' federalism was the norm,<sup>3</sup> perhaps logically and necessarily, the principle of financial responsibility was considered essential for protecting the financial autonomy of States and the essence of federalism. Birch, one of the proponents of this view, thus recommends that intergovernmental financial transfers, when necessary, should be of the 'conditional' type, that is, accompanied by conditions.<sup>4</sup> This apart, such transfers violate both the principle of financial responsibility and the essence of federalism. The application of this principle would be a decentralized financial system.

The principle of financial responsibility has been heavily criticized. Sastri,<sup>5</sup> in a trenchant critique, argued that a strict application of this principle would mean, first, that there would be no adjustment to the financial imbalances of Governments in a Federation. However, the experience of the older Federations—Canada, Australia, and the United States of America—has indicated the heavy and increasing dependence of States on a system of Central financial transfers. Secondly, it would restrict the Central Government's ability to implement a national fiscal policy. Furthermore, inter-state differences in natural resources, endowments, economic development, and fiscal capacity might be made worse by the differential impact of Central Government policy and thus 'federal financial transfers have necessarily to be uneven as between the different regional governments'.<sup>6</sup> A system of Central financial transfers is thus inevitable and necessary, and 'all that can be done about it is to try to take the matter as much as possible out of the busy and crowded ring of political conflict and place the arrangements on a systematic basis which relates financial allocations to the units to their relative needs'.<sup>7</sup>

What should be the basis for arranging Centre-State financial relations under the ever-changing economic conditions and national priorities? This refers essentially to three main issues that arise within federal systems: that of fiscal (vertical) imbalance, fiscal (horizontal) imbalance and equalization, and development needs.<sup>8</sup> How Federations deal with these issues indicate not only how they actually function but also how they cope with both the centralizing (unity) and decentralizing (diversity) forces.<sup>9</sup>

Fiscal (vertical) imbalance refers to the imbalance between the revenue needs of each level of Government and the expenditure responsibilities assigned to them by the Federal Constitution. The allocation of revenues and responsibilities (functions) between the two levels of Government determines this imbalance. Thus the more closely revenue corresponds to responsibilities the less will this imbalance be. How then should functions and revenues be allocated to each level of Government? In answer Hicks suggested that the allocation of revenue should vary with the tightness of the Federation: the derivation principle in a loose Federation and the needs and national-interest principles in a tight Federation.<sup>10</sup> Wheare, however, had earlier argued that there cannot be a fixed division of financial resources specified by a constitution because of differing and changing conditions of States in a Federation. Thus there 'is and can be no final solution to the allocation of financial resources in a federal system. There can only be adjustments and reallocation in the light of changing conditions.'<sup>11</sup> May similarly argued that, because of changing economic conditions and new demands for public services, 'there is no reason at all why expenditure obligations and revenue sources should balance at either level [Centre and State]'.<sup>12</sup> Flexibility and periodic review of the allocation of revenues and expenditures between the levels of Government may then be required and in the meantime inter-governmental financial transfers are necessary and unavoidable. The difficulties in this area are essentially caused by conflicts of interest between the Central and State Governments.

Fiscal (horizontal) imbalance refers to the imbalance between the different State Governments' financial capacity to meet the same constitutional responsibilities. The need to maintain national standards, in the provision of public services, for example, further emphasizes this imbalance. States in a Federation are not all equally rich and may differ widely in their financial capacity to meet similar responsibilities. Intergovernmental financial transfers are thus

necessary to equalize the financial capacity of States. The difficulties in this area are primarily caused by the conflicts of interest between State Governments.

Both vertical and horizontal imbalances necessitate a system of intergovernmental financial transfers: the transfer of revenue between the two levels of Government in the case of the former and the transfer of revenue between State Governments in the case of the latter. Objections to revenue redistribution, especially that between the States, have been raised because of its allegedly adverse effects on the efficient and productive allocations of resources within the national economy.<sup>13</sup> Nevertheless, as Sastri admitted, 'Political harmony seems to call for a certain redistributive effect, too'.<sup>14</sup>

In a Federation the focus of concern was and remains on the political implications of intergovernmental financial transfers on Centre-State relations, especially transfers of funds which result in the States being financially dependent on the Centre. Both economic and political considerations are important in shaping such relations which in principle should be satisfactory and acceptable to both the Centre and the States. This is not easily obtained for, according to Santhanam, 'Of all federal problems, financial relations between the Centre and Units are the most difficult'.<sup>15</sup> The experience of older Federations—Canada, Australia, and the United States of America—indicates that Centre-State disputes have centred on their financial relations precisely because the States feared the political implications of being financially dependent on the Centre.<sup>16</sup> Thus, as Watts stated, for newer Federations the provisions governing Centre-State relations are important 'not merely for financial and economic reasons but for the political effects which may result from them'.<sup>17</sup>

In all Federations Centre-State financial relations were and are shaped by how the revenue and expenditure sides of the equation are tackled and the pattern of intergovernment financial transfers. In newer Federations, on the revenue side, the trend and emphasis have been towards the centralization of tax-revenue powers. This has been influenced by the need for overall governmental regulation and control of the economy so that 'the central government must, it seemed, have authority over the major arms of taxation'.<sup>18</sup> On the expenditure side, however, the trend and emphasis have been towards decentralization so that 'the allocation of *independent* tax revenue resources was on the whole scarcely related to the

expenditure likely to arise as a result of the distribution of functions'.<sup>19</sup> The combination of centralization of tax-revenue powers and decentralization of expenditure has resulted in fiscal (vertical) imbalance. Thus beyond the allocation of tax powers, financial transfers from the Centre to the States are necessary for balancing the revenue and the expense-incurring functions of the State Governments. Such transfers are also needed, because of inter-state differences in financial capacity, to overcome the problem of fiscal (horizontal) imbalance.

If financial transfers from the Centre to the States are necessary and inevitable then the type or types of financial transfer used should be such that the States' financial autonomy is safeguarded. There are generally three types of Central transfer:<sup>20</sup> first, grants of a fixed amount or pre-determined in accordance with a fixed formula, including capitation grants and shares of Central revenue or of a distributable pool; secondly, unconditional grants-in-aid of general revenue; and finally, conditional and specific-purpose grants. Different types of transfer, as May noted, will have different effects on the decision-making of State Governments.<sup>21</sup> Not surprisingly and in order to save the States' financial autonomy, according to Watts, 'the transfers from Centre to States have normally taken the form of provisions in the Constitution guaranteeing unconditional grants or shares of central tax receipts'.<sup>22</sup>

The problem of Centre-State financial relations is thus linked to three factors: first, the manner in which functions and revenues are allocated to either the Central or the State Governments; secondly, the manner in which financial resources are allocated among the various States; and thirdly, the impact of the first and second factors on States' financial autonomy.

### *Revenue*

The Constitution provided the Central Government with the control of Peninsular Malaysia's richest and most elastic sources of revenue and the States with limited access to certain less productive and less elastic sources of revenue. The States' limited revenue base has reduced their financial capabilities, making them dependent on Central financial transfers. Such a situation is a potential threat to the federal principle for it provides the opportunity for the Central Government to exercise its financial muscle.

## Taxes

The Constitution provided that all revenue from taxation and other forms of revenue, with the exception of those items of revenue assigned to the States, should go to the Central Government. The Central Government thus has sole responsibility for raising revenue by means of income, customs and general sales taxation with State Governments being assigned certain items of revenue.<sup>23</sup> Parliament, however, can substitute certain of these items but such substitutions must be of a substantially equal value.<sup>24</sup> Revenue from lands, mines and forests represents the States' main sources of revenue. However, the States are not all similarly endowed with these. Furthermore, the more developed States tend to benefit more from certain assigned items, such as entertainment, for example. Table 2.1 provides a summary of Central and State Governments' revenue for 1958-77. In general, the States' domestic sources of revenue can be classed as (1) tax revenue and (2) non-tax revenue. The former comprises land taxes, mining royalties,<sup>25</sup> entertainment duties, and licence fees. The latter comprises revenue from State Government enterprises (water supply, for example), fees for specific services, rents, interests, and receipts from land sales. Table 2.1 also shows the contribution of tax and non-tax revenue, and Central Government grants and allocations to the total revenue of each State. Surprisingly, total Central grants and allocations to States as a percentage of their total revenue has declined with the exception of Selangor. This suggests that States may be becoming less dependent on the Centre and therefore they may have achieved a 'measure of autonomy'. However, the States' financial position is not as healthy as it appears, as later examination of their respective fiscal gap suggests.

The size and growth potential of the Centre's sources of taxable revenue are illustrated by Tables 2.2 and 2.3. Table 2.2 indicates that for 1958-73 each State's total tax revenue as a percentage of total Central tax revenue was miniscule. It further indicates that the percentage for all States had fallen during the same period. Table 2.3 compares each State's tax effort to that of the Central Government's. The disparity in the tax effort among the States reflects the unequal sizes of their tax bases and endowment in those revenue sources assigned to them. When each State's tax effort is compared with that of the Central Government the disparity widens alarmingly. Both Tables indicate the dominance of the

TABLE 2.1  
 Summary of the Central and State Governments' Sources of Revenue, 1958-1961, 1962-1965, 1966-1969,  
 1970-1973, and 1974-1977 (Annual Averages) (\$ million and percentages)

Government	Total Revenue (\$m.)	1958-1961 Annual Averages				Total Central Grants and Allocations	
		Revenue from Domestic Sources		Revenue from Other Domestic Sources			
		Total Tax Revenue	Revenue from Other Domestic Sources	Amount (\$m.)	Percentage of Total Revenue		Amount (\$m.)
Johore	34.25	17.88	52.2	7.22	21.1	9.15	26.7
Kedah	17.44	5.28	30.3	3.64	20.9	8.52	48.9
Kelantan	9.99	2.55	25.5	1.76	17.6	5.68	56.9
Malacca	8.82	2.45	27.8	0.95	10.8	5.42	61.5
Negeri Sembilan	14.65	6.17	42.1	2.38	16.2	6.10	41.6
Pahang	15.92	7.22	45.4	3.75	23.6	4.95	31.1
Penang	13.83	4.41	31.9	3.39	24.5	6.03	43.6
Perak	41.65	14.20	34.1	13.25	31.8	14.20	34.1
Perlis	2.55	0.38	14.9	0.34	13.3	1.83	71.8
Selangor	34.90	10.92	31.3	13.31	38.1	10.67	30.6
Trengganu	11.07	5.52	49.9	1.49	13.5	4.06	36.7
Central Government	950.87	769.60	80.9				

## Government

## 1962-1965 Annual Averages

	Total Revenue (\$m.)		Revenue from Domestic Sources		Revenue from Other Domestic Sources		Total Central Grants and Allocations	
	Amount (\$m.)	Percentage of Total Revenue	Amount (\$m.)	Percentage of Total Revenue	Amount (\$m.)	Percentage of Total Revenue	Amount (\$m.)	Percentage of Total Revenue
Johore	40.00	19.39	48.5	9.98	25.0	10.63	26.6	
Kedah	19.59	5.72	29.2	4.94	25.2	8.93	45.6	
Kelantan	12.93	2.82	21.8	3.45	26.7	6.66	51.5	
Malacca	8.76	2.64	30.1	1.53	17.5	4.59	52.4	
Negri Sembilan	16.89	6.60	39.1	4.58	27.1	5.71	33.8	
Pahang	23.26	11.62	50.0	4.04	17.4	7.60	32.7	
Penang	14.03	4.41	31.4	3.97	28.3	5.65	40.3	
Perak	47.96	16.93	35.3	14.48	30.2	16.55	34.5	
Perlis	2.96	0.46	15.5	0.48	16.2	2.02	68.2	
Selangor	45.44	13.12	28.9	19.32	42.5	13.0	28.6	
Trengganu	16.02	4.88	30.5	1.65	10.3	9.49	59.2	
Central Government	1,200.87	948.78	79.0					

(continued)

TABLE 2.1 (continued)

Government	Total Revenue (\$m.)	1966-1969 Annual Averages					
		Revenue from Domestic Sources		Revenue from Other Domestic Sources		Total Central Grants and Allocations	
		Total Tax Revenue	Percentage of Total Revenue	Amount (\$m.)	Percentage of Total Revenue	Amount (\$m.)	Percentage of Total Revenue
Johore	47.83	20.45	42.8	15.04	31.4	12.34	25.8
Kedah	26.81	7.41	27.6	7.95	29.7	11.45	42.7
Kelantan	16.35	4.38	26.8	4.83	29.5	7.14	43.7
Malacca	11.21	3.36	30.0	2.86	25.5	4.99	44.5
Negri Sembilan	21.84	7.64	35.0	8.12	37.2	6.08	27.8
Pahang	39.73	22.58	56.8	6.70	16.9	10.45	26.3
Penang	17.34	3.91	22.5	7.18	41.4	6.25	36.0
Perak	60.60	15.78	26.0	24.87	41.0	19.95	32.9
Perlis	3.67	0.64	17.4	0.86	23.4	2.17	59.1
Selangor	58.90	15.55	26.4	28.75	48.8	14.6	24.8
Trengganu	15.60	3.98	25.5	2.31	14.8	9.31	59.7
Central Government	1,694.16	1,342.25	79.2				



	1970-1973 Annual Averages						
	Total Revenue (\$m.)	Revenue from Domestic Sources		Revenue from Other Domestic Sources		Total Central Grants and Allocations	
		Total Tax Revenue	Amount (\$m.)	Percentage of Total Revenue	Amount (\$m.)		Percentage of Total Revenue
Johore	64.28	28.52	44.4	22.31	34.7	13.45	20.9
Kedah	33.88	11.64	34.4	10.93	32.3	11.31	33.4
Kelantan	20.10	8.40	41.8	3.66	18.2	8.04	40.0
Malacca	13.88	4.94	35.6	3.33	24.0	5.61	40.4
Negeri Sembilan	29.98	12.76	42.6	10.34	34.5	6.88	22.9
Pahang	58.25	36.15	62.1	12.63	21.7	9.47	16.3
Penang	25.92	8.32	32.1	10.15	39.2	7.45	28.7
Perak	82.47	22.92	27.8	33.95	41.2	25.60	31.0
Pertlis	5.10	1.17	22.9	1.63	32.0	2.30	45.1
Selangor	91.37	29.01	31.8	39.74	43.5	22.62	24.8
Trengganu	20.80	9.48	45.6	3.38	16.3	7.94	38.2
Central Government	2,783.21 <sup>1</sup>	2,261.81 <sup>1</sup>	81.3				

(continued)

TABLE 2.1 (continued)

Government	1974-1977 Annual Averages						
	Total Revenue (\$m.)	Revenue from Domestic Sources		Revenue from Other Domestic Sources		Total Central Grants and Allocations	
		Amount (\$m.)	Percentage of Total Revenue	Amount (\$m.)	Percentage of Total Revenue		Amount (\$m.)
Johore	97.30	39.96	41.1	36.18	37.2	21.16	21.7
Kedah	47.70	13.39	28.1	16.51	34.6	17.80	37.3
Kelantan	34.91 <sup>2</sup>	12.52 <sup>2</sup>	35.9	10.63 <sup>2</sup>	30.4	11.76 <sup>2</sup>	33.7
Malacca	18.31 <sup>2</sup>	6.89 <sup>2</sup>	37.6	5.27 <sup>2</sup>	28.8	6.15 <sup>2</sup>	33.6
Negeri Sembilan	44.16	18.65	42.2	15.74	35.6	9.77	22.1
Pahang	70.85 <sup>3</sup>	40.45 <sup>3</sup>	57.1	22.20 <sup>3</sup>	31.3	8.20 <sup>3</sup>	11.6
Penang	28.08 <sup>3</sup>	10.38 <sup>3</sup>	37.0	9.29 <sup>3</sup>	33.1	8.41 <sup>3</sup>	30.0
Perak	118.59	30.03	25.3	51.43	43.4	37.13	31.3
Perlis	6.98	1.42	20.3	1.58	22.6	3.98	57.0
Selangor	194.98	25.69	13.2	57.37	29.4	111.92	57.4
Trengganu	56.28 <sup>3</sup>	11.35 <sup>3</sup>	20.2	36.45 <sup>3</sup>	64.8	8.48 <sup>3</sup>	15.1
Central Government	5,970.18 <sup>1</sup>	5,284.68 <sup>1</sup>	88.5				

Sources: Federation of Malaya, *Financial Statements*, Kuala Lumpur, Government Press, annually, 1958-63; Federation of Malaysia, *Financial Statements*, Kuala Lumpur, Government Press, annually, 1964-77; States of Peninsular Malaysia, *Financial Statements*, Kuala Lumpur, Government Press, annually, 1958-77; Auditor-General, *Report on the Accounts of the Federation*, Kuala Lumpur, Government Press, annually, 1958-77; Auditor-General, *Report on the Accounts of the States* (for each Peninsular Malaysian State), Kuala Lumpur, Government Press, annually, 1958-77; Treasury, *Economic Report*, Kuala Lumpur, Government Press, annually, 1975-8.

<sup>1</sup> Inclusive of revenue derived from Sabah and Sarawak.

<sup>2</sup> 1977 figures unavailable.

<sup>3</sup> 1976 and 1977 figures unavailable.

TABLE 2.2  
Comparison between the Central and State Governments' Tax Revenue, 1958-1961, 1962-1965, 1966-1969, 1970-1973  
and 1970-1973 (Annual Averages) (\$ million)

	1958-1961		1962-1965		1966-1969		1970-1973	
	Total Tax Revenue as Percentage of Central Tax Revenue	Total Tax Revenue as Percentage of Central Tax Revenue	Total Tax Revenue as Percentage of Central Tax Revenue	Total Tax Revenue as Percentage of Central Tax Revenue	Total Tax Revenue as Percentage of Central Tax Revenue	Total Tax Revenue as Percentage of Central Tax Revenue	Total Tax Revenue as Percentage of Central Tax Revenue	Total Tax Revenue as Percentage of Central Tax Revenue
Central Government	769.60	-	948.79	-	1,342.25	-	2,261.81 <sup>1</sup>	-
State Governments								
Johore	17.88	2.3	19.39	2.0	20.45	1.5	28.52	1.3
Kedah	5.28	0.7	5.72	0.6	7.41	0.6	11.64	0.5
Kelantan	2.55	0.3	2.82	0.3	4.38	0.3	8.40	0.4
Malacca	2.45	0.3	2.64	0.3	3.36	0.3	4.94	0.2
Negri Sembilan	6.17	0.8	6.60	0.7	7.64	0.6	12.76	0.6
Pahang	7.22	0.9	11.62	1.2	22.58	1.7	36.15	1.6
Penang	4.41	0.6	4.41	0.5	3.91	0.3	8.32	0.4
Perak	14.20	1.8	16.93	1.8	15.78	1.2	22.92	1.0
Perlis	0.38	0.04	0.46	0.04	0.64	0.04	1.17	0.1
Selangor	10.92	1.4	13.12	1.4	15.55	1.2	29.01	1.3
Trengganu	5.52	0.7	4.88	0.5	3.98	0.3	9.48	0.4
All States <sup>1</sup>								
Total	76.98	10.0	88.58	9.3	105.70	7.9	173.31	7.7

Source: Calculated from Table 2.1.

<sup>1</sup> Inclusive of Sabah and Sarawak.

TABLE 2.3  
The Central and State Governments' Tax Efforts, 1958-1973 (\$ per capita)

	1958-1961	1962-1965	1966-1969	1970-1973	1958-1973
					Annual Rate of Increase,
					1958-1973
<i>Central Government</i>	112.3	121.2	154.2	201.1 <sup>1</sup>	9.67
<i>State Governments</i>					
Johore	17.5	16.5	15.6	20.6	0.72
Kedah	7.0	6.8	7.9	11.4	0.36
Kelantan	4.6	4.6	6.4	11.4	0.33
Malacca	7.6	7.1	8.2	11.4	0.20
Negeri Sembilan	15.3	14.2	15.3	24.5	1.36
Pahang	21.1	29.9	48.9	64.9	1.57
Penang	7.1	6.4	5.1	10.0	0.24
Perak	10.7	11.4	9.8	13.6	0.42
Perlis	3.9	4.2	5.3	9.0	0.42
Selangor	9.8	10.2	10.4	16.3	0.50
Trengganu	18.2	14.4	10.2	21.6	0.82

Sources: Table 2.1; and population figures from Department of Statistics, *Annual Statistical Bulletin*, Kuala Lumpur, Government Press, annually, 1958-73.

Note: Tax Effort represents Total Tax Revenue divided by Population.

<sup>1</sup> Inclusive of Sabah and Sarawak.

Central Government in the tax-revenue structure and reflect the consequences of the constitutional provisions.

Two characteristics are clear: the smallness of the States' tax base and consequent tax effort, and the differences between the States in their tax effort. These could be explained by the rather limited taxation powers that the Constitution provided the States with and their sources of revenue, as Tables 2.2 and 2.3 indicate, possess slow growth potential and little manipulative power. Furthermore, the States have generally not fully exploited their revenue sources<sup>26</sup> as evidenced by three features related to the States' tax structure. First and generally, the States' tax rates, with the exception of land rates,<sup>27</sup> have remained unchanged since 1950.<sup>28</sup> Secondly, there is large-scale tax avoidance (especially regarding licences) and a backlog in revenue collection (especially land rent).<sup>29</sup> Finally, the tax coverage and tax rates vary considerably among States. Similar features also exist with regard to the States' non-tax revenue sources.

The States' reluctance to be more aggressive in exploiting their revenue sources, by revising the tax coverage and tax rates or becoming more 'efficient' in tax collection, for example, could be attributed to the political fact that the State Governments, heavily dependent on rural voters, have avoided the politically distasteful and unpopular task of exploiting their revenue sources more fully. The Treasury has subsequently claimed, however, that 'There is now a growing awareness among the States of the need to raise more revenue from State sources to finance current expenditure. Thus, there is a need to widen the tax base and review existing rates on a selective basis. Selangor and Kedah have in fact already announced their intention to review water rates.'<sup>30</sup> The States were nevertheless reminded in December 1976 by the Finance Minister, Tengku Razaleigh Hamzah, to continue improving their financial position through intensified efforts at revenue collection.<sup>31</sup>

In Peninsular Malaysia the fiscal provisions provide for a tax-revenue structure within which the Centre is dominant. The adoption of such provisions may indeed, as Watson suggests, have been influenced by the lessons drawn from the experience of the older Federations.<sup>32</sup> In Australia, for example, the tax-revenue structure had evolved from one of tax-sharing to concurrent taxation and finally to tax separation.<sup>33</sup> The tax separation established by the Uniform Income Tax Scheme in 1942 centralized the tax-revenue structure by providing the Commonwealth Govern-

ment with exclusive power over customs and excise duties, sales taxes, and income taxes. In the newer Federations the emphasis, as in Peninsular Malaysia, has been towards clearly separating the tax powers of the Central and State Governments and the centralization of tax powers, with few exceptions and in varying degrees.<sup>34</sup>

### **Centre-State Tax-revenue Sharing**

The Constitution through Article 110 provided the State Governments with the power to impose royalties on minerals mined in their States while the Central Government was entitled to impose duties on such minerals. This division has been in operation but co-ordination and flexibility in the Centre-State handling of such mineral resources has proved difficult in a situation where each government was determined to raise as much revenue as possible from such resources.<sup>35</sup>

In 1962 the Constitution was amended and Clauses (3), (3A) and (3B) were added to Article 110.<sup>36</sup> Under Clause (3) each tin-producing State is entitled to receive, on such terms and conditions as may be provided by federal law, a minimum of 10 per cent of the export duty on tin produced in the State. Under Clause (3A) Parliament is empowered to provide by law that each State producing a mineral (other than tin) is entitled to receive, on such terms and conditions as may be provided by federal law, a portion of the export duty on such minerals<sup>37</sup> produced in the State. These two amendments favour States and were indeed designed to favour them.<sup>38</sup> However, the amendment under Clause (3B) goes against them because it empowers Parliament to provide by law for the prohibition or the restriction (in, or except in, such cases as may be provided by or under the law) of the levying of royalties on or similar charges in respect of minerals.

Tun Abdul Razak, then the Deputy Prime Minister, during a debate in the Dewan Raayat gave three reasons for the above amendments.<sup>39</sup> First, it was inequitable for any mine to pay both royalty and export duty on the same product. Secondly, different States imposed different rates of royalty. Thirdly, there should be uniformity in the treatment of mines throughout the Federation. Generally the amendments substituted States' royalty rights with a tax-revenue sharing arrangement. Through these amendments the Central Government assumed responsibility for what used to be Centre-State tax responsibility. The Central Government had been prompted into taking over the responsibility by the State Govern-

ments' failure to utilize their tax powers effectively.<sup>40</sup>

By virtue of these amendments, Parliament enacted in 1962 the Assignment of Revenue (Export Duty on Iron Ore) Act. This Act provided that each iron-ore-producing State is entitled to receive up to a maximum of 10 per cent of the *ad valorem* on the value of the exported iron-ore produced in the State.<sup>41</sup> Edwards believed that in this case

... the Federal Government appropriated State tax rights over iron ore because differences in the royalties levied by each of the main iron ore-producing States made the task of collecting Federal export tax revenue more difficult. The Federal Government has realised that, if the States were given complete control over major taxes, a widening gap would result between actual and potential revenue yield.<sup>42</sup>

In 1964 Parliament enacted the Assignment of Export Duty (Mineral Ores) Act. This Act provided the States with a generous portion of the export duty collected by the Central Government in respect of mineral ores (other than tin or iron-ore) produced in these States.<sup>43</sup>

The above tax-revenue sharing arrangements would benefit States differently. Mineral-rich States stood to gain most from such arrangements. Table 2.4 indicates this with regard to tin. According to Suffian, Article 110(3) 'removes the grievance of the major tin-producing States like Perak and Selangor that formerly saw export duty on their tin going into federal coffers'.<sup>44</sup> Not surprisingly, rice-producing States, such as Kedah, have consistently argued that although their rice is not exported they should be accorded preference because they have managed to save foreign exchange for the country. In July 1978 the Menteri Besar of Kedah, Datuk Syed Nahar Shahabuddin, suggested that based on Kedah's 50 per cent contribution to Malaysia's rice production the Central Government should give special attention to Kedah in the allocation of aid and grants.<sup>45</sup> Notwithstanding Suffian's earlier remark, Perak had claimed that the 10 per cent share of the export duties on tin was not adequate, considering that it was and still is a major producer of tin and that tin is a depleting asset.<sup>46</sup> In January 1978 the National Finance Council recommended an increase of revenue payment to tin-producing States through a new formula. Datuk Seri Dr Mahathir Mohamad, then Deputy Prime Minister, as Chairman of the NFC, disclosed that 'the States have asked us to give them twenty percent [in place of the present ten per cent] of the export duty of the tin produced by them. But the Federal

TABLE 2.4  
 Assignments of a Percentage of Tin Export Duties and as a Percentage of Total Revenue  
 of Each State, 1958-1961, 1962-1965, 1966-1969, 1970-1973, and 1974-1975 (Annual Averages) (\$ million)

State Government	1958-1961		1962-1965		1966-1969		1970-1973		1974-1975	
	(a) \$m.	(b) %	(a) \$m.	(b) %	(a) \$m.	(b) %	(a) \$m.	(b) %	(a) \$m.	(b) %
Johore	0.39	1.14	0.87	2.18	1.55	3.24	1.70	2.64	1.61	1.92
Kedah	0.79 <sup>1</sup>	4.53 <sup>1</sup>	0.17	0.87	0.29	1.08	0.30	0.89	0.49	1.17
Kelantan	-	-	-	-	-	-	-	-	-	-
Malacca	0.01 <sup>1</sup>	0.11 <sup>1</sup>	0.01	0.11	0.02	0.18	0.05	0.36	0.02	0.14
Negeri Sembilan	0.28 <sup>1</sup>	1.91 <sup>1</sup>	0.34	2.01	0.31	1.42	0.29	0.97	0.23	0.65
Pahang	0.08 <sup>1</sup>	0.50 <sup>1</sup>	0.21	0.90	0.63	1.59	0.88	1.51	1.00	1.41
Penang	-	-	-	-	-	-	-	-	-	-
Perak	25.05	60.14	28.70	59.84	35.54	58.65	49.85	60.45	50.44	61.47
Perlis	-	-	-	-	0.01	0.27	0.06 <sup>2</sup>	1.18 <sup>2</sup>	0.14 <sup>2</sup>	1.69 <sup>2</sup>
Selangor	12.62	36.16	14.89	32.77	18.48	31.38	28.22	30.89	72.56	31.41
Trengganu	0.03 <sup>1</sup>	0.27 <sup>1</sup>	0.05	0.31	0.29	1.86	0.31	1.49	0.59	1.06

Sources: Table 2.1; and States of Peninsular Malaysia, *Financial Statements*, Kuala Lumpur, Government Press, annually, 1958-75.

Note: (a) Assignments of a Percentage of Tin Export Duties in \$ million, of Revenue derived by the States from Tin Duties.  
 (b) (a) as a percentage of individual State's Total Revenue.

- indicates no Tin Duties.

<sup>1</sup> 1958 figures unavailable.

<sup>2</sup> 1971 figures unavailable.

<sup>3</sup> 1974 figures unavailable.



Government has devised a formula whereby the export duty and the surcharge will be combined and a flat ten percent given to the States.<sup>47</sup> He believed that under such a system the tin-producing States of Selangor and Perak as well as others would stand to gain an additional total annual revenue of \$14 million.

Tax-revenue sharing could increasingly be used to benefit the States if the Central Government decides to exercise its powers under Article 110(4). This Article provides that Parliament may by law assign to the States (other than a Borneo State), first, the whole or any portion of the proceeds of any tax or fee raised or levied by the Federation and, secondly, the responsibility of collecting for State purposes any tax or fee authorized by Federal law. To date no such law has been enacted. This Article provides the Central Government with the basis for creating a mechanism for some form of tax devolution. Such a possibility depends considerably on a political decision which may be hastened by political pressure from the States. In Peninsular Malaysia since 1962 tax-revenue sharing has been confined only to revenue raised from mineral ores. The use of this system is more widespread in other Federations like India and Nigeria.<sup>48</sup>

### **Borrowing and Loans**

Article 111 governs the borrowing power of both the Central and State Governments. This Article prohibits the Central Government from borrowing except under the authority of Federal law. A State Government shall not borrow except under the authority of State law, and State law shall not authorize a State Government to borrow except from the Federation or, for a period not exceeding twelve months, from a bank approved for that purpose by the Central Government.<sup>49</sup> The Central Government thus has complete power under the Constitution to determine the pattern of and conditions for borrowing or contracting of loans by the State Governments of Peninsular Malaysia.

The States, being dependent on the Central Government for much of their finance, are vulnerable to the Centre assuming a *de facto* or indirect responsibility over areas of States' competence. The States' very restricted power to borrow further emphasized States' dependence. This has been a source of difficulty and in some cases also of irritation, particularly for States controlled by a party different from that controlling the Central Government. Such States, starved of funds, could be forced to seek some other means

of finance. Kelantan, controlled by the Parti Islam Se Malaysia, PAS, which was formerly known as the Pan Malayan Islamic Party, PMIP, from 1959 to 1969, was one such case.<sup>50</sup>

The Auditor-General noted that during 1963 the Kelantan Government's total cash and bank balances were less than the Central Government's credit balance with the State in the Consolidated Revenue Account. Thus the Kelantan Government was able to rely largely on the Central Government's cash to pay its bills. He reported that 'this situation continues at the date of this Report. It appears therefore that the State Government had borrowed Federal funds without the authority of State law contrary to the Federal Constitution'.<sup>51</sup> In response the Auditor-General implemented two measures to overcome the above *de facto* State borrowing.<sup>52</sup> First, Central Government's cash with Kelantan's in the Consolidated Revenue Account was separately placed in a special bank account. Second, Central Government's credit balance with Kelantan in this Account was reduced from about \$6 million to just over \$1 million when the 1964 accounts were closed. Despite these measures the Auditor-General reported that 'The situation has not been wholly satisfactory in 1965 and is now under review. It appears that the State has again in effect used Federal money for its own purposes.'<sup>53</sup>

On 20 February 1964, the Kelantan State Government made a financial arrangement with a private company to raise additional revenue. The State Government granted a mining and forest concession to the Timbermine Industrial Corporation Limited in return for advance payments of royalty amounting to \$2.5 million. When the Corporation extracted the timber and minerals on which royalty was due, it had to pay 50 per cent of the royalty due and retain the other 50 per cent until the whole prepaid amount was refunded. In certain circumstances, the agreement stipulated that the amount advanced could be forfeited. The appropriateness of this financial transaction depended on what constituted borrowing. On this the Auditor-General commented that

There is no law requiring the company to make a prepayment in respect of royalties. As the prepayment is to be set off against forest royalties paid after the third year, this appears to constitute borrowing by the State contrary to Article 111(2) of the Federal Constitution. This is the view of the Attorney-General with which the State disagrees.<sup>54</sup>

The appropriateness of the transaction was challenged by the Central Government (under Article 130) in the Federal Court in

*Government of Malaysia v. Government of the State of Kelantan*.<sup>55</sup> The Central Government argued that such a transaction amounted to borrowing and because this borrowing arrangement was not authorized by State law it was therefore unconstitutional. The Federal Court held that such a transaction did not amount to borrowing since there was no legal relationship of lender and borrower between the Corporation and the State Government. Furthermore, the State Government was not obliged to repay if the advance payments were forfeited for breach of condition.

In 1971 the Constitution was amended so as to negate the above Court's decision.<sup>56</sup> By amending Article 160, through adding Clause (2), the meaning of 'borrowing' was extended. 'Borrow' now included the raising of money 'by entering into an agreement requiring payment before the due date of any taxes, rates, royalties, fees or any other payments or by entering into any agreement whereby the Government has to repay or refund any benefits that it has enjoyed under that agreement'.<sup>57</sup> An Opposition MP in the Dewan Raayat, V. Veerapan, argued during the amendment debate that it was indeed the intention of the framers of the Constitution that the States should borrow from the Federation except in cases of short-term loans which they can borrow from the banks. He believed correctly that this amendment was intended to defeat the case which was heard and settled in the country and thus was an added constraint on the finances of the States.<sup>58</sup> The Attorney-General, Tan Sri Abdul Kadir Yusuf, assured the Dewan Raayat that the amendment was necessary as a result of the Kelantan case and intended solely to tighten the definition of the word 'borrowing' so as 'to make it clear that in future such a method of borrowing is clearly not in accordance with what is really defined by the Article in the Constitution. There is no other implication involved in that case'.<sup>59</sup>

The Central Government, aware of the States' funding problems, announced in February 1976 that it would review the restrictions on borrowing and contracting of loans so as to enable these States to raise funds for development. The relevant Constitution (Amendment) Bill was introduced in Parliament in July 1976. The Constitution (Amendment) Bill, 1976, sought to amend, among others, Article 111(2).<sup>60</sup> The Prime Minister then, Datuk Hussein Onn, in introducing the Bill stated that 'The intention of the amendment is to relax the restrictive provision which is at the moment existent in the Constitution with regard to borrowing by State Governments'.<sup>61</sup> This amendment was necessary, he con-

tinued, in view of the States' increasing development and financial requirements. Accordingly the States should be able to borrow or contract loans from any source but with the prior approval of the Central Government and provided also that the repayment period did not exceed five years. However, the principle of the centralization of borrowing powers had been left unchanged. The Chief Minister of Penang, Dr Lim Chong Eu, who was also an MP, remarked approvingly that

... this will enable the Federal Government to work more closely with the State Governments and *vice-versa* ... particularly with regard to the securing of funds for financing projects in the States. I hope that the Federal Government, once this Constitutional (Amendment) Bill is passed, will set up a Committee or a body which will enable the Federal Government to work closely with the State Governments which seek to apply for the provisions of this particular amendment to be made applicable to their States.<sup>62</sup>

His suggestion for the establishment of a committee seemed curious since the NFC had already been established to handle Centre-State financial relations in general and loan requirements, among others, in particular. He also, again rather curiously, expressed his gratitude to the Central Government 'for having given the State Government of Penang every opportunity to make use of the development funds through these particular provisions of the Constitution. I am sure that the amendment will make it easier for all the other States in the Federation in future to do so.'<sup>63</sup> He seemed to imply that even before this amendment the State Government of Penang had received favourable loan treatment from the Central Government compared to the other States.

In amending Article 111(2) the Central Government became the final guarantor of loans. It was therefore anxious to ensure that the States obtained the most favourable financial terms and that they 'do not borrow more than what they can afford as this would affect their own viability and the credit standing of the Federation'.<sup>64</sup> In addition, State loan applications would be approved by the Central Government on the basis of the economic viability of the State projects that the loans would help finance and the interest rates for such loans would be the economic rates.<sup>65</sup> However, most States, especially the richer ones like Selangor, are usually reluctant to use the facility provided by the amendment to Article 111(2) because to do so would oblige them to defend the economic viability of their projects and thus make them subject to close examination.

Since Independence the amounts loaned by the Central Government to State Governments, with the exception of those to Negri Sembilan and Selangor, have been increasing. Table 2.5 indicates this trend for the 1961-76 period. Generally, most of these loans were used to finance the States' own development schemes. These included: land development, such as the group settlement schemes and the fringe alienation schemes; low-cost housing schemes; water supply schemes; agricultural projects; and industrial estate schemes. Occasionally Central loans have been used to finance States' operating expenditures.<sup>66</sup> For example, the Kelantan Government received a loan of \$1 million from the Central Government in December 1967 to allow it to pay the salaries of officers of the State Government.<sup>67</sup>

The States' heavy dependence on Federal loans to finance either their operating or development expenditures involves further sacrifice of the independence of States' initiative and action. This is because decisions as to which projects are to be accepted as loan commitments are a Central rather than a State responsibility. It could be reasonably argued that with regard to internal loans, at least, the richer States should be allowed to raise their own loans and the poorer ones allowed to borrow from the Central Government on easy terms. Before the 1976 amendment a recommendation that the poorer States should be charged lower interest rates when contracting loans was opposed by the richer States and subsequently a uniform interest-rate structure, usually below commercial interest rates, was established.<sup>68</sup> Nevertheless, some States, especially the poorer ones, had consistently failed to meet either the interest payments or part-payment of the loans contracted. In such cases the Central Government had usually cancelled these loans as bad debts.

The Central Government thus has complete powers over external and internal public borrowing in Peninsular Malaysia. In other Federations, Central Government powers over this are different. In Australia, for example, the Australian Loan Council, essentially a Centre-State body, controls both external and internal public borrowing.<sup>69</sup> Thus neither the Central nor the State Governments have any independent borrowing power. A distinction is sometimes made between external and internal public borrowing, with the Central Government usually having complete powers over the former and State Governments having qualified powers over the latter, as in India and Nigeria.<sup>70</sup>

TABLE 2.5  
 Central Government Loans to State Governments, 1961-1965, 1966-1970, and  
 1971-1976 (Annual Averages) (\$ million)

State Government	1961-1965		1966-1970		1971-1976	
	Total	Annual Average	Total	Annual Average	Total	Annual Average
Johore	4.4	0.88	9.9	1.98	55.5	9.25
Kedah	11.8	2.36	13.0	2.60	33.0	5.50
Kelantan	1.1	0.22	9.0	1.81	12.8	2.13
Malacca	4.4	0.88	5.5	1.12	26.0	4.33
Negri Sembilan	25.9	5.19	7.8	1.58	24.3	4.05
Pahang	11.6	2.33	7.9	1.59	33.0	5.50
Penang	1.9	0.38	31.4	6.28	34.3	5.72
Perak	35.5	7.10	15.1	3.03	43.0	7.17
Perlis	1.5	0.30	1.5	0.29	6.4	1.07
Selangor	35.5	7.10	21.9	4.39	17.5	2.92
Trengganu	0.0	0.00	11.8	2.36	23.3	3.88

Sources: Federation of Malaya, *Financial Statements*, Kuala Lumpur, Government Press, annually, 1961-3; Federation of Malaysia, *Financial Statements*, Kuala Lumpur, Government Press, annually, 1964-76; Treasury, *Economic Report, 1977/78*, Kuala Lumpur, Government Press, 1978.

### Central Grants

Under Article 109 of the Constitution the Central Government must make two kinds of grant to each State for each financial year:<sup>71</sup> the Capitation Grant and State Road Grant. The Capitation Grant was initially calculated based on the 1957 population census in the following way:

- (1) \$15 per person for the first 50,000;
- (2) \$10 per person for the next 200,000; and
- (3) \$4 per person for the remainder of the State's population.

The next census was due in 1967 but was delayed for three years. The 1970 census was accepted as the basis for Capitation Grant calculation only from 1972. Since the last census should have been held in 1967 rather than 1970, the Central Government agreed to make a compensatory *ex gratia* payment to all the States of Peninsular Malaysia.<sup>72</sup>

Article 109(2) empowers Parliament to revise the Capitation Grant rates. In December 1976, after consulting the NFC, the Central Government introduced the Capitation Grant Bill in Parliament, which it subsequently approved, to revise the above rates from 1 January 1976 as follows:<sup>73</sup>

- (1) \$20 per person for the first 100,000;
- (2) \$10 per person for the next 150,000;
- (3) \$6 per person for the next 250,000; and
- (4) \$3 per person for the remainder.

The Finance Minister, Tengku Razaleigh Hamzah, stated in the Dewan Raayat that the Bill was designed to give more financial help to the poor and least populous States so as to achieve a more equitable balance among the States.<sup>74</sup>

The 1977 population census<sup>75</sup> would now be used for calculating the amount of Capitation Grant awarded to each State. With these new rates the poorer and richer States would receive higher and lower rates of increase respectively. Poorer States like Perlis, Kelantan, Trengganu and Kedah, would have their Capitation Grant increased by 51 per cent, 24 per cent, 25 per cent and 14 per cent respectively for 1977. The richer States like Selangor and Perak, for example, would have their Capitation Grant increased by only 1.5 per cent and 2.3 per cent respectively for 1977.<sup>76</sup>

A State Road Grant is also payable to each State every financial year.<sup>77</sup> This grant is calculated by multiplying the average cost to a State of maintaining a mile of State road by the total mileage of State roads in that State. The Central Government, however,

determines after consulting the NFC the minimum average cost to a State of maintaining a mile of State road. The calculation of this grant also depends on what constitutes a State road. Centre-State controversy over this occurred because the term was not clear. The Federal Roads Ordinance, 1959, contained a provision allowing for the declaration of certain roads, bridges, ferries and other means of communication as Federal roads. A State road was thus defined as any public road other than a Federal road and any other non-Federal road to which the public had access. To clarify what constituted a State road, the Constitution was amended in 1966 thereby adding to the definition of 'State roads' for road grant purposes, any bridges, viaducts, or culverts that form a part of the road.<sup>78</sup>

The rate of \$4,500 per mile was used to calculate the State Road Grant prior to 1970 when a NFC committee recommended that this rate be raised to \$4,600 per mile. The NFC accepted this proposal and decided that the new rate should apply from 1971.<sup>79</sup> The States lobbied for this rate to be further increased and in 1974 the Treasury recommended that due to increasing cost of road maintenance this rate should be increased to \$5,000 per mile.<sup>80</sup> In February 1974 the NFC accepted the Treasury's recommendation with effect from 1974.<sup>81</sup> Again in February 1977 the NFC accepted the Treasury's recommendation to raise this rate to \$6,000 per mile with effect from 1974.<sup>82</sup>

The Capitation and State Road Grants are constitutionally guaranteed and thus are unconditional grants although the Central Government through Parliament has complete discretion and power to change the rates used to calculate them. Both rates have now been revised upwards at irregular and *ad hoc* intervals. Table 2.6 indicates the different amounts of Capitation and State Road Grants made to each State during the 1958-73 period. For Capitation Grants it indicates that although the amount for each State has increased, as a percentage of each State's total revenue it has fallen and thus suggests lesser States' dependence on this type of grant. For State Road Grants there is no uniform trend. It indicates that for Johore, Kedah, Kelantan, Pahang, Perlis and Trengganu the amount, both in absolute terms and as a percentage of total State revenue, has increased. However, for Malacca, Negri Sembilan, Penang, Perak and Selangor the amount has increased but as a percentage of total State revenue it has fallen. Thus it suggests that dependence on this type of grant is increasing in the



TABLE 2.6  
 Central Grants: Capitation Grants and State Road Grants, and as a Percentage of Total Revenue of Each State,  
 1958-1961, 1962-1965, 1966-1969, and 1970-1973 (Annual Averages) (\$ million)

State Government	1958-1961				1962-1965				1966-1969				1970-1973			
	(a)	(b)	(c)	(d)	(a)	(b)	(c)	(d)	(a)	(b)	(c)	(d)	(a)	(b)	(c)	(d)
Johore	5.55	16.2	4.65	13.6	5.25	13.1	5.68	14.2	5.50	11.5	7.03	14.7	7.07	11.0	9.11	14.2
Kedah	4.52	25.9	1.83	10.5	4.60	23.5	2.33	11.9	4.75	17.7	3.55	13.2	5.79	17.1	4.20	12.4
Kelantan	3.85	38.5	0.49	4.9	3.93	30.4	0.61	4.7	3.88	23.7	0.83	5.1	4.32	21.5	1.04	5.2
Malacca	2.95	33.4	0.67	7.6	2.90	33.1	0.64	7.3	2.93	26.1	0.70	6.3	3.16	22.8	0.77	5.5
Negeri Sembilan	3.18	21.7	1.43	9.8	3.22	19.1	1.65	9.8	3.21	14.7	1.85	8.5	3.72	12.4	2.31	7.7
Pahang	3.10	19.5	0.86	5.4	3.05	13.1	1.44	6.2	2.19	5.5	1.83	4.6	3.79	6.5	4.95	8.5
Penang	4.04	29.2	0.92	6.7	4.04	28.8	0.94	6.7	4.07	23.5	1.08	6.2	4.41	17.0	1.41	5.4
Perak	6.71	16.1	8.87	21.3	6.67	13.9	8.08	16.8	6.54	10.8	10.77	17.8	8.08	9.8	15.22	18.5
Perlis	1.15	45.1	0.04	1.6	1.23	41.6	0.05	1.7	1.16	31.6	0.07	1.9	1.44	28.2	0.09	1.8
Selangor	5.79	16.6	5.13	14.7	5.82	12.8	6.76	14.9	5.79	9.8	8.77	14.9	8.50	9.3	13.05	14.3
Trengganu	2.76	24.9	0.40	3.6	2.90	18.1	0.91	5.7	2.89	18.5	1.35	8.7	3.41	16.4	1.35	6.5

Sources: Table 2.1; and States of Peninsular Malaysia, *Financial Statements*, Kuala Lumpur, Government Press, annually, 1958-73.  
 Notes: (a) Capitation Grant (\$m.).

(b) Capitation Grant as percentage of State's Total Revenue.

(c) State Road Grant (\$m.).

(d) State Road Grant as percentage of State's Total Revenue.

former and falling in the latter. Generally the States' dependence on the two types of grant is not uniform.

### New Grants

The Central Government through Parliament is empowered to make new grants to States for specific reasons and purposes.<sup>83</sup> To date it has created two such grants: the Balancing Grant (BG or the Revenue Equalization Grant) and the Revenue Growth Grant (RGG). In 1974 the Central Government created the BG after agreement with the States, to be paid only to States with per capita income below the national average. There were several such States but only Kelantan and Perlis received such a grant in 1974.<sup>84</sup>

Parliament approved the RGG Bill on 14 December 1976.<sup>85</sup> In the Dewan Raayat<sup>86</sup> Finance Minister Tengku Razaleigh explained that this grant was intended to increase the financial assistance given to State Governments for carrying out specific development projects: water supply, public housing, industrial estate development, and other development projects approved by the NFC. It was created, he continued, on the premise that State Governments should also benefit from the growth of Central revenue since that growth is a product of Centre-State efforts. Furthermore, some Central Government decisions could also result in new expenditure commitments for the State Governments; for example, its decision to implement the Cabinet Committee Report on Wages and Salaries.

The RGG is payable only when the Central Government's revenue in a given fiscal year and after deducting tin duties and taxes raised under the Road Traffic Ordinance, 1958, increases by more than 10 per cent over the previous year's collection. The maximum amount of RGG distributed to the State Governments is not to exceed \$50 million per year so as not to adversely affect the Central Government's capacity to meet other expenditure commitments. The Finance Minister, however, was empowered to vary the total amount to be disbursed to States. Fifty per cent of the total RGG to be disbursed is distributed equally. The remainder is distributed on the basis of the population of each State as determined at the last census taken before the preceding financial year, at two shares for the first 500,000 of the State's population, one share for the next 500,000 and one-half share for the remainder.

The first payment of the RGG was made in 1977 and totalled \$49.8 million. Column (a) of Table 2.7 indicates the allocation of

TABLE 2.7  
Divergence Index, 1977

State Government <sup>1</sup>	Revenue Growth		Weightage on Population		Weightage on Gross Domestic Product (GDP)	
	(a)	(b)	(c)	(d)	(e)	(f)
Perak	4.8	11.5	17.4	66.1	15.4	74.7
Johore	4.6	11.0	14.5	75.9	14.8	74.3
Kedah	4.3	10.3	10.6	97.2	7.1	145.1
Selangor	4.3	10.3	19.1 <sup>2</sup>	53.9	29.5	34.9
Penang	4.0	9.6	8.6	111.6	9.1	105.5
Kelantan	3.9	9.4	7.6	123.7	3.6	261.1
Pahang	3.6	8.6	6.1	141.0	5.8	148.3
Negri Sembilan	3.5	8.4	5.5	152.7	6.1	137.7
Malacca	3.2	7.7	4.5	171.1	4.0	192.5
Trengganu	3.2	7.7	4.7	163.8	2.9	265.5
Perlis	2.3	5.5	1.4	392.9	0.9	611.1

Source: Calculation based on Revenue Growth Grant figures in Federation of Malaysia, *Malaysian Parliamentary Debates, Dewan Raayat*, Vol. II, No. 68, 14 December 1976; and population and GDP figures from Federation of Malaysia, *Third Malaysia Plan, 1976-1980*, Kuala Lumpur, Government Press, 1976, pp. 204 and 208.

Note: Divergence Index 1 =  $\frac{(b)}{(a)} \times 100$ . Divergence Index 2 =  $\frac{(b)}{(c)} \times 100$ .

<sup>1</sup> Excluding Sabah and Sarawak.

<sup>2</sup> Including the Federal Territory.

the RGG to each State in Peninsular Malaysia. Table 2.7 uses the divergence index to establish the effective weightage given to population and income (measured in Gross Domestic Product, GDP) in the distribution of the RGG to the States. The effective weightage given to population can be seen if the State's share in the RGG is compared with its share in the total Peninsular Malaysian population. The effective weightage on income can be similarly measured by comparing the State's share in the total RGG with its share in the total Peninsular Malaysian GDP. The divergence index then is the quotient of each comparison multiplied by 100. On population, column (d) indicates that the divergence index for a State is closely inversely related to the State's percentage share of the total population in column (c). Thus the smaller the State's share of the total population, the bigger the divergence index for the State, and the more it tends to benefit from the system of RGG. On income, column (f) indicates that the divergence index for a State is similarly closely inversely related to the State's percentage share of the total Peninsular Malaysian GDP in column (e). Thus the smaller the State's percentage share of the total Peninsular Malaysian GDP, the bigger the divergence index for that State, and the more it tends to benefit from the system of RGG. The Table seems to confirm the Treasury's claim that this 'method of payment is designed to favour States with smaller population who are less developed and whose revenue bases are normally much narrower'.<sup>87</sup> The system of RGG seems to indicate the Central Government's willingness to initiate an approach that would benefit the fiscal capacity of low-income States.

The RGG are conditional grants and allocations made to the States only when the Central Government revenue increases by 10 per cent or more in a given financial year. The States are required to use these grants only for specific development projects as approved by the NFC. There are thus 'strings' attached concerning how the RGG is used.

On 10 October 1979 the then Deputy Finance Minister, Rafidah Aziz, introduced the Revenue Growth Grant (Amendment) Bill in Parliament in order to make amendments to the Revenue Growth Grant Act, 1977. She explained to the Dewan Raayat<sup>88</sup> that to improve the States' financial position further, the Bill proposed several amendments so that States should still receive the RGG whenever there is an increase in the Central Government's revenue in a given financial year. The maximum amount of RGG was also

increased from \$50 million to not more than \$100 million. Of this the first \$50 million would be allocated based on the present system and the next \$50 million based on each State's per capita GDP as a proportion of the national average per capita GDP, both of which would be determined by the Central Government. The latter method of allocation was considered suitable and necessary, Rafidah Aziz argued, to enable the less developed States to increase the pace of their development and narrow the gap between them and the more developed States. Furthermore these amendments, apart from helping States to finance development, were aimed at assisting the States, especially the underdeveloped ones, in coping with the rising operating expenditure brought about by the increasing pace of development.

The new RGG are still conditional grants although the conditions governing their allocations are now more generous. Two conditions govern their use.<sup>89</sup> The allocation of RGG out of the first \$50 million to each State is for generally supplementing its revenue and thus there are no 'strings' attached as to how this portion of the RGG is used. However, the allocation from the second \$50 million to each State can be used only, as before, for specific development projects. In the former case, the conditions governing the RGG's use are more generous.

Central grants and allocations comprise the Capitation and State Road Grants, Balancing Grant and the RGG, grants from the State Reserve Fund (SRF),<sup>90</sup> other conditional grants and Assignment of a Percentage of Export Duty on Minerals. Together they make up a significant proportion, although unequal, of each State's total annual revenue. Table 2.1 indicates this. On a per capita basis the amounts of Central grants and allocations made to States are also unequal. Table 2.8 indicates this. Table 2.9 again uses the divergence index to establish if there was any effective weightage given to population and income (measured in GDP) in the distribution of total Central financial transfers to States. On population, column (c) indicates that the highest divergence index is 173.3 for Trengganu and the lowest is 73 for Penang. For Kedah, Negeri Sembilan, Perak and Selangor the divergence ratio is between 90 and 110. If the range is extended to 20 per cent either way, Johore, Kelantan, Penang and Malacca will come in. Pahang and Perlis have divergence indices of 159.6 and 150 respectively. In the main, population appears important in determining the pattern of Central financial transfers to the States. On income, column (c)

TABLE 2.8  
 Central Grants and Allocations per Capita, 1958-1961, 1962-1965, 1966-1969, 1970-1973,  
 and 1974-1975 (Annual Averages) and 1958-1975 Overall Annual Average (\$)

State	1958-1961	1962-1965	1966-1969	1970-1973	1974-1975	1958-1975 Average
Government						
Johore	7.94	8.48	10.12	8.81	11.12	9.09
Kedah	8.74	9.11	11.94	11.09	14.68	10.72
Kelantan	8.55	9.33	10.84	11.02	14.48	10.44
Malacca	13.66	12.26	12.72	12.34	12.87	12.76
Negeri Sembilan	12.69	11.82	13.16	13.41	13.74	12.88
Pahang	11.90	16.65	22.09	17.68	14.13	16.75
Penang	8.60	7.94	8.38	8.29	9.79	8.47
Perak	9.36	10.41	13.05	15.45	16.35	12.54
Perlis	14.96	14.14	22.77	19.59	29.34	19.14
Selangor	8.68	9.31	9.29	13.07	78.55	17.69
Trengganu	11.71	24.11	24.26	18.51	18.12	19.47

Sources: Calculated from Table 2.1; and population figures from Department of Statistics, *Annual Statistical Bulletin*, Kuala Lumpur, Government Press, annually, 1958-75.

TABLE 2.9  
Divergence Index, 1958-1973 Average

State Government	Percentage of Total Central Grants & Allocations, 1958-1973 Average		Weightage on Population (1958-1973 average)		Weightage on Gross Domestic Product (GDP) (1965-1970 average)	
	(a)	(b)	(c)	(d)	Divergence Index 1 =	Divergence Index 2 =
	(a)	(b)	(c)	(d)	$\frac{\text{Peninsular Malaysian Population, 1958-1973 Average}}{\text{Population, 1958-1973 Average}} \times 100$	$\frac{\text{Peninsular Malaysian GDP, 1965-1970 Average}}{\text{GDP, 1965-1970 Average}} \times 100$
Johore	11.6	14.9	77.9	13.2	87.9	145.7
Kedah	10.2	10.9	88.6	7.0	200.0	140.5
Kelantan	7.0	7.9	110.6	3.7	106.8	148.2
Malacca	5.2	4.7	108.6	5.9	73.0	102.6
Negri Sembilan	6.3	5.8	159.6	5.6	233.3	52.6
Pahang	8.3	5.2	73.0	8.9	312.0	
Penang	6.5	8.9	103.2	18.9		
Perak	19.4	18.8	150.0	0.9		
Perlis	2.1	1.4	90.1	29.3		
Selangor	15.4	17.1	173.3	2.5		
Trengganu	7.8	4.5				

Sources: Calculations based on Table 2.1; population figures from Department of Statistics, *Annual Statistical Bulletin*, Kuala Lumpur, Government Press, annually, 1958-73; and GDP figures from Federation of Malaysia, *Third Malaysia Plan, 1976-1980*, Kuala Lumpur, Government Press, 1976, p. 201.

Note: Column (a): Total Central Grants and Allocations comprise Capitalization and State Road Grants, grants from the State Reserve Fund, other conditional grants, and assignments of a percentage of Export Duty.

indicates that the highest divergence is 312 for Trengganu and the lowest is 52.6 for Selangor. Only Perak, Johore and Negri Sembilan are within the divergence ratio of 80 and 120, suggesting that income is not similarly as important as population in determining the pattern of Central financial transfers to the States. Interestingly however, column (e) suggests an inverse relationship although not in direct proportion with column (d). This suggests that some low-income States tend to benefit more from the present system of Central financial transfers to States.

### *Expenditure*

The Constitution specifies the areas of responsibility for both the Central and State Governments.<sup>91</sup> Recall that, among others, the financial autonomy of States was sought through transferring what were previously State responsibilities to the Central Government and thus reducing the areas of State responsibility. Constitutionally, the Central Government controls the major areas of expenditure.

Central and State Governments can spend money, through the Supply Bill, within their areas of competence. Parliament, however, is responsible for legislation relating to financial and accounting procedure. Before promulgating such legislation the Central Government has to consult the NFC. The 'essential provisions' and all the State Constitutions affirm that no moneys shall be withdrawn from the State Consolidated Fund 'except in the manner provided by Federal Law'.<sup>92</sup> Accordingly Parliament enacted two important Ordinances: the Financial Procedure Ordinance, 1957, and the Audit Ordinance, 1957. Both came into force in January 1958.<sup>93</sup> Sheridan commented that 'While the validity of certain provisions of the Financial Procedure Ordinance, 1957, might, perhaps, have been challenged by a vigilant State Government, the financial system created by Part IV of that Ordinance has been accepted and is in operation in the States'.<sup>94</sup> The Financial Procedure Ordinance did not confer upon the States' financial authorities the power of virement but such power was conferred upon the Central Treasury<sup>95</sup> in relation to heads of expenditure in the Central Estimates. Thus, as Sheridan commented,

Since every State spends federal money, the Federation has, through the federal constitution and federal law, virtually complete control over the principles of State finances and financial procedures, subject to the



(somewhat nebulous) control of the NFC, on which the State representatives outnumber those of the Federation.<sup>96</sup>

In August 1961 several amendments to the Financial Procedure Ordinance, 1957, were effected through 'The Financial Procedure (Amendment) Bill'. In the Dewan Raayat<sup>97</sup> the Finance Minister then, Tan Siew Sin, claimed that the Bill had the consent of the State Governments through their participation in the NFC which agreed to the terms of the draft Bill on 9 June 1961. Of special interest to the States was Clause 10 of the Bill which sought to ensure, as explained by Tan Siew Sin, that as far as possible any surplus monies held by the State Government should be invested locally and the Treasury's approval should be obtained before such monies were invested in ways other than on deposit in licensed banks in the Federation or in securities issued by the Central Government. This, he emphasized, 'will enable the Minister of Finance to ensure that the Federation has the first opportunity of putting to good use any surplus funds which may be available to the States'.<sup>98</sup> This provision further tightened the Central Government's control over State finances.

A large portion of both the Central and State Governments' expenditure go toward personal emoluments. The Constitution empowers the Central Government to control the size and salaries of the States' public services. Thus Central Government approval is required for any State which wants to expand its establishment or the establishment of any of its departments or alter the rates of established salaries and emoluments if the effect of this is to increase the Central Government's financial liability over pensions, gratuities or similar allowances for which it is responsible.<sup>99</sup> In addition, the Central Government's periodic reviews, usually upwards, of salary schemes affect the salaries paid to personnel of both the Central and State Governments' Civil Services. Thus, Central Government decisions on salary schemes will increase States' financial burden regarding personal emoluments. Not surprisingly several States have been increasingly dependent on Central financial help to meet the additional expenditure on personal emoluments after every Central Government's pay review. The Finance Minister, Tan Siew Sin, admitted in the Dewan Raayat that the Central Government's pay reviews had substantially increased the States' financial commitments and consequently, in 1965 and 1966 for example, the 'Federal Treasury had, on a number of occasions, no choice but to issue money from the

State Reserve Fund to some States, a few of which had literally no money to pay even the current salaries and wages of their employees'.<sup>100</sup> He warned, however, that 'the Federal Government will not consider any request for help from any State unless the Treasury is satisfied that the State concerned has practised the utmost economy and done everything it could to help itself by increasing its revenue to the maximum extent possible from the sources available to it'.<sup>101</sup>

In 1971 SRF grants totalling \$1.3 million, \$1.18 million, and \$1.3 million were granted to Kedah, Kelantan, and Trengganu respectively to subsidize the cost of arrears arising from the implementation of the recommendations of the Suffian Salaries Commission.<sup>102</sup> In 1977 the States' operating expenditure increased by 45 per cent due mainly to the increase in salaries because of the implementation of the Cabinet Recommendations following the Central Government's rejection of the Ibrahim Ali Salaries Report. The implementation of the new salary schemes was expected to cost the State Governments \$140 million. Consequently, several State Governments 'approached the Federal Government for financial assistance to meet this cost and so far the Federal Government has received total requests of about \$90 million'.<sup>103</sup>

Table 2.10 compares the Central and State Governments' expenditure. It indicates that the State Governments' expenditure as a whole, and more so individually, is quite dwarfed by that of the Central Government. Although both the Central and State Governments' expenditures grew in the period 1958-75, the All States' percentage declined during the same period. Table 2.11 indicates that the Central Government had a higher per capita expenditure compared to that of the State Governments for the period 1958-75, and that, with the exception of Pahang and Selangor, each State's per capita expenditure as a percentage of the Central Government's per capita expenditure fell, in varying degrees, during the same period. The All States' percentage also fell during this period. Tables 2.10 and 2.11 indicate the dominance of the Centre in the public sector expenditure structure.

Central grants and allocations make up an important percentage of each State's expenditure. Table 2.12 indicates this. The annual average percentage for each State for the 1958-75 period exceeds 24 per cent and in Perlis's case exceeds 60 per cent. The disparity in the percentages among the States indicates the differences in

TABLE 2.10  
 Comparison between Central and State Governments' Expenditure, and State Governments' Expenditure  
 as a Percentage of Central Government Expenditure, 1958-1961, 1962-1965,  
 1966-1969, and 1970-1975 (Annual Averages)

	1958-1961		1962-1965		1966-1969		1970-1975		Annual Average Rate of Increase in Expenditure
	Expenditure (£m.)	State Government's Expenditure as Percentage of Central Government's Expenditure	Expenditure (£m.)	State Government's Expenditure as Percentage of Central Government's Expenditure	Expenditure (£m.)	State Government's Expenditure as Percentage of Central Government's Expenditure	Expenditure (£m.)	State Government's Expenditure as Percentage of Central Government's Expenditure	
Central Government	876.3		1,421.5 <sup>a</sup>		1,899.7 <sup>a</sup>		3,445.4 <sup>a</sup>		238.35
State Governments									
Johore	32,675	3.8	42,141	3.0	47,092	2.5	76,033	2.2	4.46
Kedah	16,650	1.9	21,216	1.5	26,355	1.4	39,817	1.2	1.88
Kelantan	9,475	1.1	13,818	1.0	17,301	0.9	25,350	0.7	1.44
Malacca	7,825	0.9	8,661	0.6	10,730	0.6	15,550	0.5	0.78
Megg									0.5
Sembilan	13,375	1.5	17,506	1.2	21,860	1.1	36,217	1.1	1.75
Perang	14,750	1.7	19,653	1.4	32,304	1.7	73,283	2.1	4.38

(continued)

TABLE 2.10 (continued)

	1958-1961		1962-1965		1966-1969		1970-1975		Annual Average Rate of Increase in Expenditure	
	Expenditure (Mm.)	State Government's Expenditure as Percentage of Central Government's Expenditure	Expenditure (Mm.)	State Government's Expenditure as Percentage of Central Government's Expenditure	Expenditure (Mm.)	State Government's Expenditure as Percentage of Central Government's Expenditure	Expenditure (Mm.)	State Government's Expenditure as Percentage of Central Government's Expenditure	Expenditure (Mm.)	State Government's Expenditure as Percentage of Central Government's Expenditure
Penang	13.225	1.5	13.620	1.0	15.761	0.8	26.567	0.8	0.94	0.4
Perak	40.025	4.6	49.071	3.5	60.884	3.2	91.567	2.7	5.06	2.1
Perlis	2.550	0.3	3.241	0.2	3.787	0.2	5.800	0.2	0.31	0.1
Selangor	32.250	3.7	43.690	3.1	56.143	3.0	148.250	4.3	11.92	5.0
Trengganu	12.325	1.4	18.439	1.3	17.847	0.9	24.033	0.7	1.33	0.6
All States <sup>1</sup>	195.125	22.4	251.056	17.7	309.764	16.3	562.467	16.3	34.25	14.7

Sources: Federation of Malaya, *Financial Statements*, Kuala Lumpur, Government Press, annually, 1958-63; Federation of Malaysia, *Financial Statements*, Kuala Lumpur, Government Press, annually, 1964-75.

<sup>1</sup> Inclusive of Sabah and Sarawak from 1964.

TABLE 2.11  
 Comparison between the Central and State Governments' Expenditure Per Capita (Annual Averages),  
 and the State Governments' Expenditure Per Capita as a Percentage of Central Government Expenditure  
 per Capita, 1958-1961, 1962-1965, 1966-1969, and 1970-1975

	1958-1961		1962-1965		1966-1969		1970-1975		Annual Average Increase in Expenditure per Capita, 1958-1975 (\$)
	Amount (\$)	Percentage	Amount (\$)	Percentage	Amount (\$)	Percentage	Amount (\$)	Percentage	
Central Government	126.9		165.9 <sup>1</sup>		186.7 <sup>1</sup>		299.3 <sup>1</sup>		15.9 <sup>1</sup>
State Governments									
Johore	31.9	25.1	35.8	21.6	35.6	19.1	53.6	17.9	2.4
Kedah	21.9	17.3	25.0	15.1	27.8	14.9	38.0	12.7	1.3
Kelantan	17.3	13.6	22.3	13.4	25.1	13.4	33.7	11.3	1.5
Malacca	24.3	19.1	23.3	14.0	25.6	13.7	34.9	11.7	1.2
Negeri Sembilan	33.1	26.1	37.6	22.7	41.9	22.4	67.9	22.7	2.5
Pahang	43.2	34.0	50.6	30.5	73.4	39.3	126.8	42.4	5.9

(continued)

TABLE 2.11 (continued)

	1958-1961		1962-1965		1966-1969		1970-1975		Annual Average Increase in Expenditure per Capita, 1958-1975 (\$)
	Amount (\$)	Percentage	Amount (\$)	Percentage	Amount (\$)	Percentage	Amount (\$)	Percentage	
Penang	21.3	16.8	19.6	11.8	20.5	11.0	31.3	10.5	0.7
Perak	30.1	23.7	32.7	19.7	35.4	19.0	53.3	17.8	2.3
Perlis	26.1	20.6	29.6	17.8	31.6	16.9	43.4	14.5	1.8
Selangor	28.9	22.8	34.1	20.6	38.7	20.7	80.6	26.9	5.3
Trengganu	40.6	32.0	53.6	32.3	46.0	24.6	70.7	23.6	2.5
All States <sup>1</sup>	29.0	22.9	33.1	20.0	36.5	19.6	57.7	19.3	2.8

Sources: Table 2.10; and population figures from Department of Statistics, *Annual Statistical Bulletin*, Kuala Lumpur, Government Press, annually, 1958-75.

<sup>1</sup> Inclusive of Central Government expenditure in Sabah and Sarawak from 1964.

TABLE 2.12  
 Central Government Grants and Allocations as a Percentage of States' Expenditure,  
 1958-1961, 1962-1965, 1966-1969, and 1970-1975 (Annual Averages)

State Government	1958-1961	1962-1965	1966-1969	1970-1975	Annual Average, 1958-1975
Johore	28.0	25.2	26.2	17.8	24.3
Kedah	51.2	42.0	43.4	32.3	42.2
Kelantan	59.9	48.2	41.3	36.2	46.4
Malacca	69.3	53.0	46.5	33.5	50.6
Negeri Sembilan	45.6	32.6	28.2	19.5	31.5
Pahang	33.6	38.7	32.3	12.3	29.2
Penang	45.6	41.5	39.7	29.2	39.0
Perak	35.5	33.7	32.8	29.2	32.8
Perlis	71.8	62.3	57.3	49.0	60.1
Selangor	33.1	29.8	25.2	42.9	32.8
Trengganu	32.9	51.5	52.2	33.8	42.6

Sources: Tables 2.1 and 2.10.

TABLE 2.13  
 Surpluses and Deficits of the State Governments' Budgets, 1958-1961, 1962-1965,  
 1966-1969, 1970-1972, and 1973-1975 (Annual Averages) (\$ million)

State	1958-1961	1962-1965	1966-1969	1970-1972	1973-1975
<i>Government</i>					
Johore	+1.575	-2.149	+0.742	+0.453	-10.770
Kedah	+0.790	-1.684	+0.464	-1.131	-4.290
Kelantan	+0.515	-0.888	-0.945	-1.354	-1.980
Malacca	+0.995	+0.096	+0.473	-0.014	-0.260
Negri Sembilan	+1.275	-0.628	+0.281	-3.865	-4.770
Pahang	+1.170	+3.604	+7.428	-8.746	-21.840
Penang	+0.605	+0.404	+1.579	-1.176	+1.340
Perak	+1.625	-1.104	-0.284	+3.825	-10.030
Perlis	0.0	-0.283	-0.088	-0.006	+0.050
Selangor	+2.650	+1.750	+2.312	-0.346	-20.290
Trengganu	-1.255	-2.425	-2.250	-0.533	+18.120

Sources: Tables 2.1 and 2.10.

Notes: + indicates surplus.

- indicates deficit.



fiscal capacities among States and consequently the level of dependence on Central grants and allocations in their respective expenditures. In the main, however, and with the exception of Selangor and Trengganu, each State's percentage and thus its level of dependence fell in the 1958-75 period.

The lack of financial resources has affected States' expenditure in varying degrees, as indicated by the varying sizes of the 'surpluses' or 'deficits' of the State Governments in Table 2.13. Although several States have regularly run up yearly deficits, only the expenditure pattern of the PAS-controlled Kelantan Government had been regularly and unfavourably commented upon by the Auditor-General in his reports on the accounts of that State.<sup>104</sup>

### *Fiscal Imbalances and Their Adjustments*

Centre-State financial relations in Peninsular Malaysia have been influenced by the problem of financial imbalances: Central/State or vertical imbalance and the State/State or horizontal imbalance. Both affect the States' ability to achieve their expenditure objectives more effectively.

In Peninsular Malaysia vertical imbalance describes a situation in which State Governments are unable to finance their own expenditure on their limited field of responsibility from their own sources of revenue. There is thus a fiscal gap, as columns (c) and (d) of Table 2.14 indicate, due to the difference between the States' expenditure and their domestic revenue. It implies that States do not possess tax powers or the financial autonomy commensurate with their fields of responsibility. Thus, since the Central Government controls the major revenue sources and States' borrowing, vertical imbalance denotes the States' need and dependence, although in varying degrees, on financial support from the Central Government. This imbalance worsens when the States' development expenditures<sup>105</sup> are taken into account, further emphasizing the role of Central financial transfers in Centre-State financial relations. The All States' average fiscal gap in terms of amount and percentage, columns (c) and (d) respectively, increased during the 1958-75 period. This suggests that, as a whole, the States' financial capacity to meet their responsibilities fell during that period.

Horizontal imbalance in Peninsular Malaysia describes a situation in which the States have different fiscal capacities as indicated

TABLE 2.14  
States' Fiscal Imbalances, 1958-1961, 1962-1965, 1966-1969, and 1970-1975  
(Annual Averages) (\$ million)

State Government	1958-1961					1962-1965				
	(a)	(b)	(c)	(d)	(e)	(a)	(b)	(c)	(d)	(e)
Johore	25.10	76.8	7.58	30.2	24.5	29.37	69.7	12.77	43.5	24.9
Kedah	8.92	53.6	7.73	86.7	11.8	10.66	50.2	10.56	99.1	12.5
Kelantan	4.31	45.5	5.17	120.0	7.9	6.27	45.4	7.55	120.4	10.1
Malacca	3.40	43.5	4.43	130.3	10.5	4.17	48.1	4.49	107.7	11.2
Negri Sembilan	8.55	63.9	4.83	56.5	21.2	11.18	63.9	6.33	56.6	24.0
Pahang	10.97	74.4	3.78	34.5	32.1	15.66	79.7	3.99	25.5	40.2
Penang	7.80	59.0	5.43	69.6	12.6	8.38	61.5	5.24	62.5	12.0
Perak	27.45	68.6	12.58	45.8	20.7	31.41	64.0	17.66	56.2	20.9
Perlis	0.72	28.2	1.83	254.2	7.4	0.94	29.0	2.30	244.7	8.6
Selangor	24.23	75.1	8.02	33.1	21.7	32.44	74.3	11.25	34.7	25.4
Trengganu	7.01	56.9	5.32	75.9	23.1	6.53	35.4	11.91	182.4	19.2
All States' Average	11.68	65.8	6.08	52.1	17.6	14.27	62.5	8.55	59.9	19.0

State Government	1966-1969					1970-1975				
	(a)	(b)	(c)	(d)	(e)	(a)	(b)	(c)	(d)	(e)
Johore	35.49	75.4	11.60	32.7	27.4	55.86	73.5	20.17	36.1	48.2
Kedah	15.37	58.3	10.99	71.5	16.3	23.59	59.2	16.23	68.8	28.1
Kelantan	9.21	53.2	8.09	87.8	13.5	14.38	56.7	10.97	76.3	23.6
Malacca	6.22	58.0	4.51	72.5	15.2	5.61	36.1	9.94	177.2	15.3
Negri Sembilan	15.77	73.1	5.79	36.7	31.5	23.66	65.3	12.56	53.1	51.7
Pahang	29.29	90.7	3.01	10.3	63.5	53.52	73.0	19.76	36.9	140.1
Penang	11.09	70.4	4.67	42.1	14.4	18.32	69.0	8.25	45.0	26.7
Perak	40.65	66.8	20.23	49.8	25.1	62.07	67.8	29.50	47.5	41.9
Perlis	1.50	39.6	2.29	152.7	12.4	2.95	50.9	2.85	96.6	27.4
Selangor	44.30	78.9	11.84	26.7	29.5	74.21	50.1	74.04	99.8	59.0
Trengganu	6.29	35.2	11.56	183.7	16.1	14.36	59.8	9.67	67.3	42.3
All States'										
Average	19.56	69.5	8.60	44.0	24.1	31.68	62.0	19.45	61.4	45.8

Sources: Calculated from Tables 2.1 and 2.10; and population figures from Department of Statistics, *Annual Statistical Bulletin*, Kuala Lumpur, Government Press, annually, 1958-75.

Note: (a) Total State Domestic Revenue (\$m.).

(b) Total State Domestic Revenue as a percentage of Total State Expenditure.

(c) Fiscal Gap (Total State Expenditure less Total State Domestic Revenue) (\$m.).

(d) Fiscal Gap as a percentage of Total State Domestic Revenue.

(e) Per Capita Domestic Revenue (Tax Ratio) = Total State Domestic Revenue divided by Total State Population (\$).

by the differing sizes of the fiscal gap in columns (c) and (d) of Table 2.14. This imbalance is evidently changing so that the effect of the disparity between income and expenditure is more keenly felt by some States than by the others. Column (e) of Table 2.14 compares the fiscal performance of various States in terms of the per capita domestic revenue (tax ratio). It indicates that, in varying degrees, each State's tax ratio, and hence its fiscal performance, had improved for the 1958-75 period. When the States' annual average tax ratios are compared to their annual average per capita GDP, the pattern that emerges suggests a direct relationship between a State's tax ratio and the level of its economic development (measured in GDP), as can be seen from Table 2.15.

There are several reasons, apart from the fact that States do not possess tax powers commensurate with their responsibilities, for the existence of fiscal imbalances in the States of Peninsular Malaysia. First, as indicated earlier, State Government revenues are not as elastic and productive as those of the Central Government. Secondly, State Governments' operating expenditure is, to a certain extent, dictated by Central Government policies, especially those regarding the revision of salaries in the public sector, since it has been the Central Government's policy to standardize

TABLE 2.15  
States' Per Capita Domestic Revenue (Tax Ratio), 1958-1975  
Annual Average, compared to States' Per Capita Gross Domestic  
Product, 1965-1975 Annual Average

State Government	Per Capita GDP		Per Capita Domestic Revenue (Tax Ratio)	
	Amount (\$)	Rank	Amount (\$)	Rank
Selangor	1,676	1	36.7	2
Negri Sembilan	1,087	2	34.3	3
Penang	1,060	3	17.6	8
Pahang	1,033	4	76.9	1
Perak	991	5	28.8	5
Johore	964	6	33.1	4
Malacca	847	7	13.3	11
Perlis	676	8	15.4	9
Kedah	670	9	18.4	7
Trengganu	602	10	27.1	6
Kelantan	474	11	14.9	10

Sources: Tables 2.14 and 3.1.

salaries throughout the Federation. Thirdly, State Governments do not directly benefit from income tax and export duty revenue generated by the output of their development projects because this revenue accrues to the Central Government. Thus, the State Governments' revenues have not been able to increase significantly. Fourthly, the Central Government provides the bulk of financing for States' development expenditure but the States have to maintain these development projects, thereby imposing additional strain on the States' operating expenditure. Finally, the States may not have been efficient, for whatever reasons, in generating enough revenue from their assigned sources of revenue.

Fiscal imbalances are adjusted usually with two things in mind: first, to fill the States' fiscal gap (vertical adjustment), and secondly, to equalize inter-State fiscal capacities—to establish fiscal equity among the various States (horizontal adjustment). Fiscal imbalances may be adjusted by:

- (1) Central grants and allocations;
- (2) transferring more State functions to the Central Government;
- (3) increasing the fiscal autonomy of the State Governments by instituting a redistribution of tax powers from the Central Government to the State Governments (tax devolution); and
- (4) changing the ratio of distribution under the tax-revenue sharing arrangements.

The constitutional prescription for achieving States' financial autonomy in Peninsular Malaysia has been based on transferring functions to the Centre (adjustment (2)) rather than providing States with more tax-revenue powers (adjustment (3)). The Centre is provided with the power and responsibility of adjusting fiscal imbalances. This it has done, since Independence, by increasing and introducing new Central grants (adjustment (1)) and changing the ratio of distribution under the tax-revenue sharing arrangements (adjustment (4)).<sup>106</sup> Thus, for the States of Peninsular Malaysia, Central grants and allocations and tax-revenue sharing arrangements represent the chief means of adjusting fiscal imbalances. These include the Capitation and State Road Grants, lately the Balancing and Revenue Growth Grants, other conditional grants and the assignment of a percentage of export duty on tin, iron-ore and other minerals. Additionally, the Central Government makes grants from the State Reserve Fund.

SRF grants have usually been used to overcome the difficulties of some of the States which face deficits.<sup>107</sup> These grants are made on an *ad hoc* basis and thus do not constitute an assured source of income to the States.<sup>108</sup> Table 2.16 indicates the distribution of such grants. The final decision on the amount of grants out of the SRF rests with the Central Government and not with an independent and impartial body. In this the States are merely consulted through their representatives on the NFC, whose role is simply advisory. A comparison of Tables 2.16 and 2.13 indicates that between 1958 and 1975 SRF grants were made to cover the deficits of only certain States. It suggests that not all deficits in the States' accounts were accepted as 'real' deficits. When the States' deficits and surpluses are compared with their wealth or level of income (measured in per capita GDP as a percentage of the Peninsular Malaysian mean), as in Table 2.17, it is indicated that, generally, richer States tended to have bigger deficits compared to poorer States.

Central grants and allocations to the various States have to vary within wide limits because the financial capacities and needs of the respective State Governments vary within equally wide limits. However, in Peninsular Malaysia, a comparison of the per capita annual average State domestic revenue with the per capita total State revenue (including Central grants and allocations) for the 1958-75 period, reveals that the pattern of disparity among the States is not much changed. Table 2.18 illustrates this. It thus suggests that Central grants and allocations have not done much to equalize the financial capacities of States and that Central transfer for fiscal adjustments are not based solely on the criterion of financial need. In this context the new Revenue Growth Grant is a move in the right direction since it tends to benefit low-income States more than the higher-income States.

In Peninsular Malaysia the Central Government and Parliament control the levels and types of financial transfers to States even for constitutionally guaranteed grants like the Capitation and State Road Grants. In this the NFC acts only as a consultative and advisory body. In India the (also advisory) Finance Commission and Parliament, hence the Central Government, determine the levels and types of financial transfers to States.<sup>109</sup> A novel way of handling such financial transfers is provided by the example of the Commonwealth Grants Commission in the Australian Federation.<sup>110</sup>

TABLE 2.16  
Total Central Grants from the State Reserve Fund for Each State, 1958-1975 (\$'000)

State Government	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975
Johore	-	-	-	-	-	25	630	-	-	657	-	-	-	-	-	-	-	-
Kedah	1,065	-	-	2,700	-	2,818	1,643	4,500	1,000	1,000	1,000	1,000	1,000	-	-	-	-	-
Kelantan	90	45	-	402	3,269	-	2,821	1,500	-	1,321	3,388	-	1,180	3,878	-	-	-	1,861
Malacca	133	-	-	-	-	-	-	-	-	400	-	-	-	-	3,878	-	-	-
Negri Sembilan	337	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pahang	105	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Penang	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Perak	-	-	-	-	-	1,263	-	-	-	-	-	-	-	-	-	-	-	-
Perlis	282	2,000	243	815	-	-	-	1,826	698	450	-	-	-	-	-	-	-	-
Selangor	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Trengganu	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Source: States of Peninsular Malaysia, *Financial Statements*, Kuala Lumpur, Government Press, annually, 1958-75.

TABLE 2.17  
States' Deficits or Surpluses (1958-1975 Average) Compared to Their Per Capita  
Gross Domestic Product (GDP) (1965-1975 Average)

State Government	Deficits or Surpluses, 1958-1975 Average (\$m.)	Rank	Per Capita GDP as Percentage of Peninsular Malaysian Mean	Rank
Johore	-1.68	9	93.8	6
Kedah	-0.97	7	65.2	9
Kelantan	-0.85	5	46.1	11
Malacca	+0.39	3	82.4	7
Negeri Sembilan	-1.23	8	105.8	2
Pahang	-2.39	11	100.5	4
Penang	+0.60	2	103.1	3
Perak	-0.98	6	96.4	5
Perlis	-0.08	4	65.8	8
Selangor	-1.95	10	163.0	1
Trengganu	+1.61	1	58.6	10

Sources: Tables 2.13 and 3.1.

Note: + indicates surplus.

- indicates deficit.



TABLE 2.18  
States' Per Capita Domestic Revenue Compared to States' Per Capita Total Revenue  
(including Central Grants and Allocations), 1958-1975 Annual Average (\$)

State Government	Per Capita Domestic Revenue, 1958-1975 Annual Average		Per Capita Total Revenue, 1958-1975 Annual Average	
	Amount (\$)	Rank	Amount (\$)	Rank
Pahang	76.9	1	89.4	1
Selangor	36.7	2	52.5	3
Negri Sembilan	34.3	3	46.6	5
Johore	33.1	4	48.0	4
Perak	28.8	5	40.2	6
Trengganu	27.1	6	53.6	2
Kedah	18.4	7	33.5	7
Penang	17.6	8	25.4	10
Perlis	15.4	9	33.4	8
Kelantan	14.9	10	24.7	11
Malacca	13.3	11	28.8	9

Sources: Tables 2.1 and 2.15; and population figures from Department of Statistics, *Annual Statistical Bulletin*, Kuala Lumpur, Government Press, annually, 1958-75.

*Co-ordination of Centre-State Financial Relations*

The problem of financial imbalance is a dynamic one. It puts a premium on the flexibility and adaptability of the financial provisions of the Constitution to meet the ever-changing conditions. In Peninsular Malaysia the Constitution does provide the basis for flexibility and change in intergovernmental financial relations.<sup>111</sup> The Central Government, advised by the NFC and through Parliament, is ultimately responsible for achieving this.

The NFC is responsible for co-ordinating Centre-State financial relations.<sup>112</sup> Article 108 of the Constitution provided for the establishment of the NFC and that it should comprise the Prime Minister, who presides (or in his absence, another Central Minister representing him and who shall preside), one Central Minister appointed by the Prime Minister, and one representative from each of the States appointed by the Ruler or Governor of the State. It is thus a formal Centre-State body. It shall meet at least once a year, or when summoned by the Prime Minister, or at the request of at least three States. It can deliberate on any matter of financial policy referred to it. The Central Government is obliged to consult the NFC on the following matters:<sup>113</sup>

- (1) the assignment to the States of the whole or any portion of the proceeds of any federal tax or fee;
- (2) any proposal to introduce a bill varying the rates of the Capitation Grant or affecting the receipt by a State of export duty on tin or other minerals produced in the State;
- (3) the making of grants by the Federation to the States;
- (4) the making of grants from the State Reserve Fund;
- (5) the annual loan requirements of the Federation and States and the exercise by the Federation and the States of their borrowing powers;
- (6) the making of loans to any States; and
- (7) the making of development plans.

However, the NFC's decisions are not binding, and the Central Government may or may not accept its recommendations. It provides, at least, a useful arena for the airing of State views regarding financial problems that affect the State. The fact that the NFC is purely advisory reduces its importance as an intergovernmental body to co-ordinate Centre-State financial relations in Peninsular Malaysia.

### Conclusion

The Constitution provided for a pattern of Centre-State financial relations which is dominated by the Central Government because it controls most of the richest and most productive revenue sources as well as most areas of expenditure. Thus, large-scale Central transfers to the State Governments were and still are inevitable and necessary to fulfil the latter's expenditure commitments. The level of financial dependence, however, varies from one State to another, indicating the difference in their fiscal capacity. The pattern of inequalities in wealth is plainly evident among the States of Peninsular Malaysia. These inequalities resulted from a variety of factors including the unequal endowments in natural resources among the States and the differential inter-State impact of Central policy. These make it necessary that Central financial transfers should take into account the inter-State differentiation that exists so as not to worsen the inter-State inequalities. Furthermore, such transfers must be based on some notion of the 'financial need' of low-income States. The introduction of the Revenue Growth Grant suggests a move towards this.

1. R. N. Bhargava, *The Theory and Working of Union Finance in India*, 3rd ed., Allahabad, Chaitanya Publishing House, 1971, p. 86.

2. For a discussion of these, see B. P. Adarkar, *The Principles and Problems of Federal Finance*, London, P. S. King & Sons Ltd., 1933, Chapters 3, 6, and 7; Bhargava, *op. cit.*, especially Chapters 5 and 7; A. D. Scott, 'The Economic Goals of Federal Finance', *Public Finance*, Vol. 19, No. 3, 1964, pp. 241-88; K. V. S. Sastri, 'Comment' (on 'Intergovernmental Financial Relations in New Federations') in U. K. Hicks, *et al.*, *Federalism and Economic Growth in Underdeveloped Countries*, London, George Allen & Unwin Ltd., 1961, pp. 132-3. For a discussion of these in the context of federal states, see R. J. May, *Federalism and Fiscal Adjustment*, Oxford, Clarendon Press, 1969, Chapters 4-5. See also R. L. Watts, *New Federations: Experiments in the Commonwealth*, Oxford, Oxford University Press, 1966, pp. 192-8; W. Holzhausen, *Federal Finance in Malaysia*, Kuala Lumpur, Penerbit Universiti Malaya, 1974, pp. 66-9; Nigeria, *Report of the Commission on Revenue Allocation*, Lagos, Government Press, 1951, Chapters 3-7 by J. R. Hicks.

3. See, for example, A. H. Birch, *Federalism, Finance and Social Legislation in Canada, Australia and the United States*, Oxford, Clarendon Press, 1955, pp. 304-5.

4. A. H. Birch, 'Intergovernmental Financial Relations in New Federations', in U. K. Hicks, *et al.*, *op. cit.*, p. 120.

5. Sastri, *op. cit.*, pp. 129-31. May also presents a similar argument. See May, *op. cit.*, pp. 55-7.

6. Sastri, *op. cit.*, p. 131.
7. *Ibid.*, p. 139.
8. The impact of development needs on Centre-State financial relations will be discussed in Chapter 3.
9. For a recent discussion on these issues in the context of the Canadian Federation see *Fiscal Federalism in Canada*, Report of the Parliamentary Task Force on Federal-Provincial Fiscal Arrangements, August 1981.
10. Nigeria, *op. cit.*, pp. 52-6.
11. K. C. Wheare, *Federal Government*, 3rd ed., London, Oxford University Press, 1953, p. 123.
12. May, *op. cit.*, p. 55. See also Birch, *Federalism, Finance and Social Legislation in Canada, Australia and the United States*, Chapters 2-4 and 10, and R. L. Watts, 'Comments' (on 'Intergovernmental Relations'), in U. K. Hicks, *et al.*, *op. cit.*, pp. 137-8.
13. See, for example, A. D. Scott, 'Federal Grants and Resource Allocation', *Journal of Political Economy*, Vol. LX, 1952, pp. 534-6. For an opposite view, that supporting revenue redistribution, see J. M. Buchanan, 'Federalism and Fiscal Equity', *American Economic Review*, Vol. XL, September 1950, pp. 583-99.
14. Sastri, *op. cit.*, p. 133.
15. K. Santhanam, *Union-State Relations in India*, London, Asia Publishing House, 1960, p. 29. A similar view is expressed by Birch, *Federalism, Finance and Social Legislation*, p. xi.
16. See Birch, *Federalism, Finance and Social Legislation*, *passim*; May, *op. cit.*, Chapter 4; R. L. Watts, 'Comments' (on 'Intergovernmental Relations'), in Hicks, *et al.*, *op. cit.*, p. 137; and M. M. Watson, 'Federalism and Finance in the Modern Commonwealth', *Journal of Commonwealth Political Studies*, Vol. III, 1965, p. 119.
17. Watts, 'Comments' (on 'Intergovernmental Relations'), p. 137.
18. Watson, *op. cit.*, p. 119. For other reasons that encourage the centralization trend see Watts, *New Federations*, pp. 199-204 and 208; R. L. Watts, *Multicultural Societies and Federalism*, Studies of the Royal Commission on Bilingualism and Biculturalism, Ottawa, Information Canada, 1971; May, *op. cit.*, Chapter 5.
19. Watson, *op. cit.*, p. 121. Emphasis in original. See also Watts, *New Federations*, pp. 199-202.
20. For a discussion of these see Watson, *op. cit.*, pp. 121-3; Birch, 'Intergovernmental Financial Relations in New Federations', pp. 126-8; Watts, *New Federations*, pp. 209-17; May, *op. cit.*, Chapters 4 and 5.
21. May, *op. cit.*, p. 164.
22. Watts, *Multicultural Societies and Federalism*, p. 45.
23. Items of revenue assigned to the States are enumerated in Part III of the Tenth Schedule of the Constitution.
24. Article 110(2). However, the revenue sources assigned to States in items (2), (9), (10), and (13) of Part III of the Tenth Schedule cannot be substituted.
25. Royalty rights for States were substituted by a tax-revenue sharing device in the Constitutional Amendment of 1962. This will be discussed later.
26. See C. T. Edwards, *Public Finances in Malaya and Singapore*, Canberra, Australian National University Press, 1970, p. 46.
27. See W. Senftleben, *Background to Agricultural Land Policy in Malaysia*, Institute of Asian Affairs, Hamburg, Pub. No. 44, Wiesbaden, Harrassowitz, 1978, pp. 65-70 and Table 9.

28. Interviews with an officer in the Finance Section of the Treasury and Tan Sri Dato Ahmad Nordin, Auditor-General.
29. The Auditor-General had on numerous occasions pointed out that arrears in revenue collection by States were partly responsible for the gap between estimated revenue and actual revenue. For example, see Auditor-General, *Report on the Accounts of the State of Perlis, 1973*, Kuala Lumpur, Government Press, 1975, p. 39. See Edwards, *op. cit.*, p. 325.
30. Treasury, *Economic Report, 1975-1976*, Kuala Lumpur, Government Press, 1976, p. 53.
31. Federation of Malaysia, *Malaysian Parliamentary Debates, Dewan Raayat*, Kuala Lumpur, Government Press, Vol. 11, No. 68, 14 December 1976, col. 7187. See also *New Straits Times*, 11 January 1977 and 11 October 1979.
32. Watson, *op. cit.*, p. 119. For a study of the experience of older Federations, see Birch, *Federalism, Finance and Social Legislation in Canada, Australia and the United States*, Chapters 2-5.
33. See W. Prest, 'Tax Arrangements and Intergovernmental Transfers', *Publius*, Vol. 7, No. 3, Summer 1977, pp. 53-60. See also May, *op. cit.*, pp. 57-66.
34. See Birch, 'Intergovernmental Financial Relations in New Federations', pp. 122-6; Watson, *op. cit.*, pp. 120-1; Watts, *New Federations*, pp. 202-8; May, *op. cit.*, Chapter 5; B. S. Grewal, *Fiscal Federalism in India*, Canberra, Australian National University, Centre for Research on Federal Financial Relations, Research Mono. No. 3, 1974, pp. 17-18.
35. See Tan Sri Mohd. Suffian bin Hashim, *An Introduction to the Constitution of Malaysia*, Kuala Lumpur, Government Press, 1976, p. 190.
36. Act 14/1962. See Federation of Malaya, *Acts of Parliament, 1962*, Kuala Lumpur, Government Press, 1962, pp. 204-5. In addition Article 76(4) was also amended. Thus Parliament could now legislate on the terms of mining leases so as to ensure uniformity throughout the Federation.
37. 'Minerals' means mineral ores, metal, and mineral oils.
38. See Mohd. Suffian Hashim, 'Division of Revenue', in G. W. Bartholomew, ed., *Malaya Law Review Legal Essays*, Singapore, *Malaya Law Review*, 1975, p. 12.
39. See Federation of Malaya, *Malayan Parliamentary Debates, Dewan Raayat*, Vol. III, No. 40, 29 January 1962, col. 4180.
40. See Edwards, *op. cit.*, p. 325.
41. Regarding Sabah and Sarawak, Article 112C(4) provided that Clause (3B) shall apply in relation to all minerals including mineral oils but shall not authorize Parliament to prohibit the levying of royalties on any mineral by the State or to restrict the royalties that may be so levied in any case so that the State is not entitled to receive a royalty amounting to ten per cent *ad valorem* calculated as for export duty.
42. Edwards, *op. cit.*, p. 325.
43. See Federation of Malaysia, *The Assignment of Export Duty (Mineral Ores) Act, 1964*, Kuala Lumpur, Government Press, 1964. This Act was made in response to the Johore Government's request for a share of the export duty on bauxite which Johore produced in substantial quantities in 1963. See Lim Heng Boon, 'Federal-State Financial Relations in West Malaysia', Graduation Exercise, Faculty of Economics and Administration, University of Malaya, 1968/9, p. 20. The Act provided for one half of the export duty on bauxite, wolframite, sheelite, columbite-tantalite, copper, ilmenite, zincon, morazite, and manganese to be assigned to the

respective Peninsular States. Tin and iron were already covered by the 1962 amendments discussed earlier.

44. Mohd. Suffian Hashim, 'Division of Revenue', p. 12.

45. *The Star*, 31 July 1978. Other States, however, were not persuaded by Kedah's argument. Interview with an officer in the Finance Section of the Treasury.

46. *The Star*, 31 July 1978.

47. *New Straits Times*, 29 January 1978.

48. See Grewal, *op. cit.*, pp. 20-2; Watson, *op. cit.*, pp. 121-2; Watts, *New Federations*, pp. 211-13; and May, *op. cit.*, pp. 114-23 and 134-45.

49. For Sabah and Sarawak Article 112B provides that borrowing within the State must have the approval of the Central Bank of the Federation.

50. Kelantan's increasing need for finance from 1962 onwards was partly attributable to its very costly Sungai Kelantan Bridge. The State Government had requested a Central loan but it refused to agree to the Central loan terms, part of which was the submission of the bridge plans to the Federal Public Works Department. Denied a Central loan, it proceeded to construct the bridge, now costing \$5.5 million, attempting to finance it out of State funds. See *The Straits Times*, 1 March 1962 and 1 June 1962. The Auditor-General reported that although 'it was appreciated that a loan would be needed, the project was put in hand without a loan having first been negotiated with the Federal Government'. See Auditor-General, *Report on the Accounts of the State of Kelantan, 1962*, Kuala Lumpur, Government Press, 1963, p. 3. Writing on the State's accounts for 1963, the Auditor-General reported that 'the manner in which this project has been undertaken is not such as is likely to safeguard public funds to best advantage or ensure value for money... Like the 1962 Estimates, the 1963 Estimates gave the Assembly no indication of the total cost of the project, and in my opinion, the Assembly's control over this expenditure was thereby correspondingly weakened.' See Auditor-General, *Report on the Accounts of the State of Kelantan, 1963*, Kuala Lumpur, Government Press, 1964, p. 4. The State partly paid for the bridge by raising a loan of \$3 million from the banks. According to the Auditor-General this loan was raised with due authority during November-December 1964 but was not repaid within twelve months as required by the Federal Constitution. The State in 1966 passed a law to raise a new loan of \$2 million from the banks to repay the existing one and, according to the Auditor-General, the Central Government agreed to this arrangement. See Auditor-General, *Report on the Accounts of the State of Kelantan, 1964*, Kuala Lumpur, Government Press, 1966, p. 7. By September 1969 the balance of \$4.185 million still to be repaid by the State Government was fully settled by a loan of \$4.2 million from the Central Government. See Auditor-General, *Report on the Accounts of the State of Kelantan, 1968*, Kuala Lumpur, Government Press, 1970, p. 41. It seemed that Kelantan got away with disobedience.

51. Auditor-General, *Report on the Accounts of the State of Kelantan, 1963*, p. 5.

52. Auditor-General, *Report on the Accounts of the State of Kelantan, 1964*, p. 7.

53. *Ibid.*

54. *Ibid.*, p. 2.

55. *Malayan Law Journal*, 1968, p. 129. See also S. Jayakumar, *Constitutional Law Cases from Malaysia and Singapore*, Singapore, Malayan Law Journal Pte. Ltd., 1971, pp. 206-25.

56. The Constitution (Amendment) (No. 2) Act, 1971 (Act A31/1971).
57. Federation of Malaysia, *Malaysian Parliamentary Debates, Dewan Raayat*, Kuala Lumpur, Government Press, Vol. 1, No. 7, 3 March 1971, col. 554.
58. *Ibid.*, col. 558.
59. *Ibid.*, cols. 558-9.
60. For details of the approved Bill, see Federation of Malaya, *Acts of Parliament (Act A334)*, Kuala Lumpur, Government Press, 26 August 1976, p. 23.
61. Federation of Malaysia, *Malaysian Parliamentary Debates, Dewan Raayat*, Vol. 11, No. 19, 12 July 1976, col. 2035.
62. *Ibid.*, Vol. 11, No. 20, 13 July 1976, col. 2168.
63. *Ibid.*
64. Abdullah Ayub, 'Financial Provisions of the Malaysian Constitution and Their Operation in Practice', in Tun Mohamed Suffian Hashim, et al., eds., *The Constitution of Malaysia: Its Development, 1957-1977*, Kuala Lumpur, Oxford University Press, 1978, p. 318.
65. Interview with Tan Sri Dato Ahmad Nordin.
66. For details see Federation of Malaysia, *Financial Statements*, section on State's loans due to Federal Government.
67. See Auditor-General, *Report on the Accounts of the Federation of Malaysia, 1967*, Kuala Lumpur, Government Press, 1970, p. 160.
68. Interview with Tan Sri Dato Ahmad Nordin.
69. For a discussion of the Australian Loan Council, see W. R. C. Jay, 'The Australian Loan Council', *Publius*, Vol. 7, No. 3, Summer 1977, pp. 101-17.
70. See Watts, *New Federations*, pp. 218-19.
71. Part I, Tenth Schedule of the Constitution. Article 122 and Parts IV and V of this Schedule provide additional sources of revenue to Sabah and Sarawak over and above those enjoyed by the States of Peninsular Malaysia.
72. Auditor-General, *Report on the Accounts of the State of Perak, 1973*, Kuala Lumpur, Government Press, 1975, p. 48.
73. See Federation of Malaysia, *Malaysian Parliamentary Debates, Dewan Raayat*, Vol. 11, No. 68, 14 December 1976, col. 7201.
74. *Ibid.*, cols. 7200-1 and 7209. The Bill was approved and formally gazetted as Act A367, Capitation Grant Act, 1976.
75. The 1977 population census was not held and only in 1980 was the census conducted.
76. Treasury, *Economic Report, 1977/78*, Kuala Lumpur, Government Press, 1978, p. 78.
77. Article 109(1)(b) and Part II of the Tenth Schedule of the Constitution.
78. See Act 59/1966 which amended the Tenth Schedule, Part II of the Constitution, governing State Road Grants.
79. See Auditor-General, *Report on the Accounts of the State of Penang, 1971*, Kuala Lumpur, Government Press, 1973, p. 47.
80. Treasury, *Economic Report, 1977/78*, p. 78.
81. Tan Sri Mohd. Suffian bin Hashim, *An Introduction to the Constitution of Malaysia*, p. 185.
82. Treasury, *Economic Report, 1977/78*, p. 78.
83. Article 109(3) and (6) of the Constitution.
84. See Auditor-General, *Report on the Accounts of the State of Kelantan, 1974*,

Kuala Lumpur, Government Press, 1977, p. 49, and Auditor-General, *Report on the Accounts of the State of Perlis, 1974*, Kuala Lumpur, Government Press, 1977, p. 28.

85. Treasury, *Economic Report, 1977/78*, p. 78. For details see Federation of Malaysia, *Laws of Malaysia, Act 181, Revenue Growth Grant Act, 1977*, Kuala Lumpur, Government Press, March 1977.

86. Federation of Malaysia, *Malaysian Parliamentary Debates, Dewan Raayat*, Vol. 11, No. 68, 14 December 1976, cols. 7185-7.

87. Treasury, *Economic Report, 1977/78*, pp. 78-9.

88. Federation of Malaysia, *Malaysian Parliamentary Debates, Dewan Raayat*, Vol. 1, No. 73, 10 December 1979, cols. 39-42. Act A475 is the approved version of the Bill. For details see Federation of Malaysia, *Laws of Malaysia, Act A475, Revenue Growth Grant (Amendment) Act, 1980*, Kuala Lumpur, Government Press, 31 January 1980.

89. Federation of Malaysia, *Laws of Malaysia, Act A475, Revenue Growth Grant (Amendment) Act, 1980*, Section 7.

90. This will be discussed later with regard to the problem of fiscal imbalances since grants out of the SRF had been used solely to meet the deficits of some States.

91. Ninth Schedule of the Constitution.

92. Eighth Schedule, Section 17(2) of the Constitution.

93. This being the date appointed under the former Ordinance, pursuant to Article 165(4) of the Constitution, for the coming into force of the provision of Part VII of that Constitution.

94. L. A. Sheridan, ed., *Malaya and Singapore, the Borneo Territories: The Development of Their Laws and Constitutions*, London, Stevens & Sons, 1961, p. 94.

95. Section 15(4) of the Financial Procedure Ordinance.

96. Sheridan, *Malaya and Singapore, the Borneo Territories*, p. 95.

97. See Federation of Malaya, *Malayan Parliamentary Debates, Dewan Raayat*, Kuala Lumpur, Government Press, Vol. III, No. 14, 8 August 1961, cols. 1444-6.

98. *Ibid.*, col. 1466.

99. Articles 98 and 112 of the Constitution.

100. Federation of Malaysia, *Malaysian Parliamentary Debates, Dewan Raayat*, Vol. III, No. 15, 19 January 1967, col. 2600.

101. *Ibid.*, col. 2601.

102. Auditor-General, *Report on the Accounts of the Federation of Malaysia, 1971*, Kuala Lumpur, Government Press, 1973, p. 172.

103. Treasury, *Economic Report, 1977/78*, p. 79.

104. For example, see Auditor-General, *Report on the Accounts of the State of Kelantan, 1962*, p. 4.

105. See Chapter 3.

106. There have, however, been calls for adjustment (3)-tax devolution-to be also used in adjusting fiscal imbalances. Interview with Tan Sri Dato Ahmad Nordin. See also *Berita Harian*, 9 November 1978, and *New Straits Times*, 23 June 1980.

107. Article 109(6) of the Constitution governs the use of the SRF for grant purposes.

108. There is usually a two-year gap, after each financial year, before SRF grants are made because they are awarded on the basis of the audited account for the deficit year. These grants are made based on the recommendation of the Treasury Com-



mittee within the NFC. Interviews with an officer of the Finance Section of the Treasury and Tan Sri Dato Ahmad Nordin. For a study of this NFC's committee work from 1960 to 1965, see Holzhausen, *op. cit.*, pp. 149-52.

109. See Grewal, *op. cit.*, pp. 19-24, and May, *op. cit.*, pp. 114-23.

110. See W. R. Lane, 'The Grants Commission and Equalisation Grants', *Publius*, Vol. 7, No. 3, Summer 1977, pp. 69-99, and May, *op. cit.*, pp. 60-6.

111. Articles 110(2), (3), (3A), (4a), 110(3B), and 112 D(s).

112. The NFC's deliberations and its reports have not been made public.

113. Articles 103(4)-(5) and 109(6) of the Constitution.

## The Impact of Development on Centre-State Financial Relations

THE Central Government has potential opportunities, especially through its planning and funding, to influence the development of the States. This chapter examines the impact of the Central Government's development planning and funding on the States and on Centre-State relations. The discussion includes, among other topics, the impact on equalization. In principle, equalization in the short term refers to the system of intergovernmental financial transfers, as discussed in the preceding chapter, which seeks to overcome both vertical (Centre/State) and horizontal (State/State) financial imbalances. In the long term, however, equalization refers to the development strategy necessary to equalize the basic wealth of States in the Federation. The latter part of this chapter focuses on this developmental strategy and in particular examines the impact of the Central Government's development plan allocation on the equalization of inter-State wealth and then looks at the States' own role in their development.

The Central Government can deliberately pursue an equalization policy by giving special preference to poorer States in its development allocations, thus redistributing revenue and resources from rich to poor States. The decision to pursue such a policy through development is essentially a political one involving competition between rich and poor States.

The Constitution did not assign the subject of development to any of the Legislative Lists. However, it provided the Central Government with the constitutional basis for pursuing a national development plan for 'national interests'. Article 92(1) provided that

If, after a recommendation from an expert committee and after consultation with the National Finance Council, the National Land Council and the Government of any State concerned, the Yang di-Pertuan Agong is satisfied that it is conducive to the national interest that a development

plan be put into operation in any area or areas in one or more of the States, the Yang di-Pertuan Agong may, after publishing the plan, proclaim the area or areas as a development area; and thereupon Parliament shall have power to give effect to the development plan or any part thereof, notwithstanding that any of the matters to which the plan relates are matters with respect to which, apart from this Article, only States would have power to make laws.

This Article was recommended by the Reid Commission with equalization as one of the goals deemed to be in the national interest.<sup>1</sup> The Commission, however, was aware that such powers over national development vested in the Central Government could undermine State autonomy and cause Centre-State conflict. Article 92(1) gives the Central Government wide-ranging powers in the area of development. What constitutes development is defined loosely as that which is 'conducive to the national interest' even if such development were to impinge on States' areas of competence. The Central Government is thus left with the responsibility and opportunity for determining what development in the national interest means. Apart from Article 92(1), the Centre has substantial powers over the major areas of expenditure and commands massive financial resources. It is thus placed in a dominant position *vis-à-vis* the States and this would tend to be further strengthened in situations of increasing demands for rapid economic development.

Development planning in Malaysia is highly centralized. Briefly, the Central Cabinet has ultimate responsibility for planning and the National Development Planning Committee (NDPC) is responsible for the detailed consideration of many of the policy problems. The Economic Planning Unit (EPU) in the Prime Minister's Department acts as the Secretariat to the NDPC. State Government representatives on the NFC and the NLC are merely consulted in the planning for national development.

The States of Peninsular Malaysia differ in size, resources (both human and natural), and level of economic and social development.<sup>2</sup> The differences between States in wealth and income (measured by per capita State GDP) are indicated by Table 3.1. Although the Constitution did not assign to the Central Government the responsibility for equalizing the wealth and prosperity of the States, the Reid Commission clearly expected the Central Government to commit itself to such a policy.<sup>3</sup>

As early as 1955, before the introduction of Malaya's First Five Year Plan (FFYP), 1956-1960, there were already demands for

TABLE 3-1  
 Peninsular States' Per Capita Gross Domestic Product, 1965, 1970, 1975, 1980, and 1985

Peninsular State	Per Capita State Gross Domestic Product														
	1965			1970			1975			1980			1985		
	(a) \$	(b) %	(c) R.	(a) \$	(b) %	(c) R.	(a) \$	(b) %	(c) R.	(a) \$	(b) %	(c) R.	(a) \$	(b) %	(c) R.
Selangor	1,493	175.6	1	1,617	163.3	1	1,917	154.1	1	2,655	140.8	1	3,157.8	132.1	1
Pahang	928	109.2	2	975	98.5	5	1,197	96.2	5	1,486	78.8	6	2,355.5	98.5	4
Negri Sembilan	901	106.0	3	979	98.9	4	1,382	111.1	2	1,817	96.3	3	2,384.4	99.7	3
Perak	891	104.8	4	981	99.1	3	1,101	88.5	7	1,583	83.9	5	2,064.2	86.3	6
Penang	870	102.4	5	987	99.7	2	1,323	106.4	3	2,357	125.0	2	2,874.6	120.2	2
Johore	729	85.8	6	900	90.9	6	1,262	101.4	4	1,726	91.5	4	2,197.6	91.9	5
Malacca	638	75.1	7	798	80.6	7	1,106	88.9	6	1,469	77.9	7	1,987.8	83.1	8
Perlis	536	63.1	8	665	67.2	8/9	828	66.6	8/9	1,094	58.0	10	1,561.0	65.3	9
Kedah	518	60.9	9	665	67.2	8/9	828	66.6	8/9	1,101	58.4	9	1,325.1	55.4	10
Trengganu	449	52.8	10	592	59.8	10	765	61.5	10	1,316	69.8	8	2,063.4	86.3	7
Kelantan	369	43.4	11	463	46.8	11	589	47.3	11	842	44.6	11	1,080.5	45.2	11

Sources: Federation of Malaysia, *Second Malaysia Plan, 1971-1975*, Kuala Lumpur, Government Press, 1971, p. 18; Federation of Malaysia, *Third Malaysia Plan, 1976-1980*, Kuala Lumpur, Government Press, 1976, pp. 201-2 and 204; Federation of Malaysia, *Fourth Malaysia Plan, 1981-1985*, Kuala Lumpur, Government Press, 1981, p. 101; and Federation of Malaysia, *Mid-Term Review of the Fourth Malaysia Plan, 1981-1985*, Kuala Lumpur, Government Press, 1984, p. 175.

(b) Amount as a percentage of Peninsular States' (including the Federal Territory of Kuala Lumpur for 1965, 1970 and 1975) mean average per capita GDP which in 1965 was \$850, in 1970 was \$990, in 1975 was \$1,244, in 1980 was \$1,886, and in 1985 was \$2,391.

(c) Rank.

greater Central Government effort in developing both the rural areas and the underdeveloped east coast States of Kelantan and Trengganu. For example, Ibrahim Fikri, a Federal Councillor from Trengganu, speaking during the debate on the FFYP in the Federal Legislative Council (FLC), insisted that development allocations should be based on relative need.<sup>4</sup> The Central Government did not, however, commit itself to an equalization policy in the FFYP. It followed the strategy of intensifying public investment in an expanding and advanced modern sector, essentially in the west coast States, convinced that this would generate spill-over or linkage effects, thereby inducing progress in the backward areas of the east coast States especially.<sup>5</sup> This strategy was controversial. The Central Government was accused of favouring the more developed west coast and demands were made for an equalization policy giving priority in development allocations to the east coast States. In 1958, in the wake of an economic recession that hit the east coast States hardest, Tuan Hj. Abdul Khalid, a Federal Legislative Councillor, warned the FLC that to neglect these States would create extreme dissatisfaction and would endanger the spirit of Federation.<sup>6</sup> Despite such calls the Central Government continued its former strategy in the Second Five Year Plan (1961-5).<sup>7</sup>

The First Malaysia Plan (FMP), 1966-1970,<sup>8</sup> contained two objectives that seemed to indicate the Central Government's commitment not to perpetuate inter-State differences indefinitely. These objectives<sup>9</sup> were:

- (1) to promote integration of the people and States of Malaysia by embarking upon a development plan explicitly designed to promote the welfare of all, and
- (2) to improve the economic and social well being of all sectors of the population and to redress the imbalance between rural and urban areas.'

However, the Central Government, in making its development plan allocation, preferred to look at differences in the level of socio-economic development from a geographical point of view rather than from that of the constituent States.<sup>10</sup> The Central Government divided Malaysia into two geographical regions: West (Peninsular) Malaysia and East Malaysia. The States of Peninsular Malaysia were treated collectively as a unit. No attempt was made to equalize the large differences in the level of socio-economic development between the much poorer east coast and richer west

coast States of Peninsular Malaysia.<sup>11</sup> Indeed, the large public investment expenditures foreseen under the FMP in the urban centres of the west coast would be expected to aggravate further the existing differences between the States in the level of development. The FMP's agricultural policy also did not give preference to the development schemes in the more backward States. The schemes for large-scale irrigation and land development, to which the Central Government was committed and which were partly financed by the World Bank, were selected for their productive viability rather than for reasons of equity.

The Second Malaysia Plan (SMP), 1971-1975,<sup>12</sup> committed the Central Government to more action towards achieving inter-State equalization in Peninsular Malaysia, aiming to correct economic imbalance and achieve regional balance. Regarding economic imbalance, the SMP pointed out that 'the imbalances of pressing concern occur in the pattern of ownership and control of economic activity, in the distribution of income as well as in employment'.<sup>13</sup> Economic balance was to be achieved by various means including regional development and an increase in the role of the States. The strategy would aim at increasing rural incomes, especially in the rural areas of the east coast of Peninsular Malaysia, and at urbanization and industrialization programmes leading to greater geographic dispersal of industries.<sup>14</sup> Regarding regional imbalance, the SMP proposed the modernization of rural areas through the location of projects in specific regions. It hoped these projects would 'help to reduce the marked economic disparity among the States and within each State that now exists'.<sup>15</sup> Such projects were regional in scope and located in States with per capita incomes well below the national average and were designed to raise farm incomes.

The SMP did not provide a breakdown of its allocations to the States of Peninsular Malaysia. The Mid-Term Review of the SMP indicated, however, that the State Economic Development Corporations (SEDCs) were allocated \$192.93 million.<sup>16</sup> The SEDCs were expected to provide a strong stimulus to develop less-developed States and increase opportunities for Malays and other indigenous people in these States to engage in a wide range of commercial and industrial activities.<sup>17</sup> Public Authorities were also allocated development funds to be expended in the States. Although no breakdown in terms of States was provided, Public Authorities were allocated \$1,187 million for the SMP period.<sup>18</sup>

The Mid-Term Review of the SMP admitted that economic imbalances existed between States and that the less-developed east coast and the rice-growing northern States of Peninsular Malaysia had a relatively small share of the national income.<sup>19</sup> Significantly, these States had and still have a predominantly Malay population. Table 3.4 illustrates the relationship between income (measured by per capita GDP) and ethnic distribution in the States. The Review noted that 'In so far as these inequalities coincide with the higher proportion of Malays and other indigenous people in the poor States, the reduction of regional disparities will be an important means to bring about the overall racial balance.'<sup>20</sup> In addition the economies of the respective States showed striking differences. More than 90 per cent of manufacturing output originated from the more-developed west coast States of Penang, Perak, Selangor, Negri Sembilan and Johore, with Selangor alone accounting for more than 50 per cent. These States also contributed more than 80 per cent of mining output and, together with Kedah, almost 80 per cent of the agricultural output. Furthermore, all States, except Selangor and Penang, depended predominantly on the primary sector.

Regional development was expected to reduce the marked economic disparities which existed between States.<sup>21</sup> This strategy involved the full exploitation of presently untapped economic resources, especially in the less-developed States, the promotion of population migration to areas with large economic potential, and the expansion of the infrastructure and social services in those States and areas which lagged in development so as to achieve greater balance between the various regions and people residing there. Accordingly the Review reaffirmed the Central Government's commitment to shift or disperse the location of industries from the more-developed west coast to the less-developed States of Peninsular Malaysia.<sup>22</sup> The activities of the Federal Industrial Development Authority (FIDA) and the Malaysian Industrial Development Finance Limited (MIDF), for example, were aimed at encouraging this. From 1970 to 1973, the MIDF increased its lending to projects in less-developed States such as Kedah, Kelantan, Perlis and Sarawak by \$11.3 million.<sup>23</sup> The Locational Incentive Scheme was also introduced to attract investment in less-developed States.<sup>24</sup>

The Third Malaysia Plan (TMP), 1976-1980, proposed to pursue more systematically the eradication of inter-State inequal-

ities. These inequalities were unambiguously viewed from the position of the constituent States. The Plan argued that

As a result of historical patterns of development the different States and regions of Malaysia have shown very different rates of development, resulting in very unequal distribution of income, amenities and opportunities. To overcome existing inequalities, a shift in the pattern of investment is necessary giving more emphasis to the less developed States.<sup>25</sup>

Accordingly the 'States and regions which have experienced the least development so far and which thus contain the most poverty will be given the highest priority'.<sup>26</sup> Such low-income and high-priority States included Kedah, Perlis, Kelantan, Trengganu and Malacca, as well as Sabah and Sarawak. Under the Plan they were to receive considerably increased allocations. The relative position of these States was expected to improve through policies and programmes aimed at raising their agricultural productivity, developing their physical infrastructure, establishing new growth centres, promoting industrial development, and locating a greater variety of Government establishments in these States.<sup>27</sup>

The TMP's regional development plans were designed to avoid the continuation of development trends that occurred in the 1960s. It was convinced that if such development trends were continued it would 'exacerbate further the current disparities between the States'.<sup>28</sup> Regional development was aimed not only at bringing about closer integration among the States of Malaysia but also at pushing development further to the less-developed States in order to increase the per capita GDP in the least-developed ones.<sup>29</sup> The TMP's commitment to an equalization policy was further reinforced in the Fourth Malaysia Plan (FoMP), 1981-1985.<sup>30</sup>

Central Government development planning and implementation, apart from eroding certain areas of States' competence and thus their autonomous action, significantly affects intergovernmental financial transfers. This is so simply because development planning determines where and how money is to be spent. If equalization is one of the aims of a national development plan, as the TMP and FoMP declared, then it would be reasonable to expect that the development plan allocation to States should be based on their levels of income (measured in GDP) and aim in the long term at equalizing their relative levels of income.

Table 3.2 shows the TMP's original and revised allocations to the States of Peninsular Malaysia. The assessment of the effective



TABLE 3.2  
Third Malaysia Plan, 1976-1980: Original and Revised Allocations (after Mid-Term Review) to States  
Compared to States' Gross Domestic Product, 1975

Peninsular State	States' GDP, 1975					TMP Original Allocations			TMP Revised Allocations			Divergence Indices <sup>a</sup> of TMP Allocations		
	(a) \$m.	(b) Percentage of All States' Total	(c) \$ per Capita	(d) Rank	(e) \$m.	(f) Percentage of All States' Total	(g) \$m.	(h) Percentage of All States' Total	(i) Rank	(j) Rank	(k) Rank	(l) Rank		
Selangor <sup>1</sup>	3,806.0	29.7	1,917	1	2,903.1	21.7	3,079	16.5	73.1	9	55.6	11		
Negeri Sembilan	782.2	6.1	1,382	2	616.6	4.6	905	4.8	75.4	8	78.7	9		
Penang	1,181.4	9.2	1,323	3	894.3	6.7	1,396	7.5	72.8	10	81.5	8		
Johore	1,906.9	14.9	1,262	4	1,831.7	13.7	2,620	14.0	91.9	5	94.0	6		
Pahang	775.4	6.0	1,197	5	2,054.0	15.4	2,936	15.7	256.7	1	261.7	2		

(continued)

TABLE 3.2 (continued)

Peninsular State	States' GDP, 1975		TMP Original Allocations		TMP Revised Allocations		Divergence Indices <sup>1</sup> of TMP Allocations					
	(a) \$m.	(b) Percentage of All States' Total	(c) \$ per Capita	(d) Rank	(e) \$m.	(f) Percentage of All States' Total	(g) \$m.	(h) Percentage of All States' Total	Original		Revised	
									(i)	(j) Rank	(k)	(l) Rank
Malacca	521.9	4.1	1,106	6	327.7	2.5	566	3.0	61.0	11	73.2	10
Perak	1,989.6	15.5	1,101	7	1,791.9	13.4	2,476	13.2	86.5	7	85.2	7
Kedah	914.6	7.1	828	8	854.1	6.4	1,261	6.7	90.1	6	94.4	5
Perlis	116.8	0.9	828	8	156.5	1.2	243	1.3	133.3	4	144.4	4
Trengganu	369.7	2.9	765	10	911.2	6.8	1,491	8.0	234.5	2	275.9	1
Kelantan	466.3	3.6	589	11	1,018.8	7.6	1,744	9.3	211.1	3	258.3	3
All States' Total <sup>2</sup>	12,830.8	100.0	1,243	-	13,359.9	100.0	18,717	100.0	100.0	-	100.0	-

Sources: Calculation based on Federation of Malaysia, *Third Malaysia Plan, 1976-1980*, Kuala Lumpur, Government Press, 1976, pp. 204-8 and Appendices I and II; and Federation of Malaysia, *Fourth Malaysia Plan, 1981-1985*, Kuala Lumpur, Government Press, 1981, p. 128, Tables 4-6 (for revised allocations).

<sup>1</sup>Includes the Federal Territory of Kuala Lumpur.

<sup>2</sup>Peninsular States' Total less Multi-State Allocations not assigned to any particular State.

<sup>3</sup>Indices calculated by dividing State's share of total TMP Allocation (in per cent) by State's share of total GDP (in per cent) and multiplying the quotient by 100.

weightage given to income (measured in GDP) is done by comparing the shares of the States in the total allocations with their shares in the total GDP. This comparison is brought out in the form of a divergence index which is calculated by dividing the share of a State in the total allocation by its share in the total GDP and then multiplying the quotient by 100. If a State has 4 per cent of the total allocations and total GDP, its divergence index will be 100 and thus its share of the total allocations corresponds to its share of the total GDP. If all the States' divergence indices is 100 then it will mean that the allocations will maintain the relative income disparity between States. The equalization of this disparity will involve progressive (higher) and regressive (lower) allocations to low-income States and high-income States respectively. In principle the States' income ranking (column (d) of Table 3.2) should be in direct inverse non-match of their divergence indices ranking (columns (j) and (l) of Table 3.2).

Table 3.2 indicates that, in the main, under the TMP's original allocations, low-income States benefited more than high-income States. This is indicated by the generally inverse non-matching of columns (d) with (j) and the higher divergence indices in column (i). However, States did not benefit in inverse relation to their income level. For example, the State with the lowest income, Kelantan (divergence index of 211.1), benefited less than that with the second lowest income, Trengganu (divergence index of 234.5), or, worse still, less than the State with the seventh lowest income, Pahang (divergence index of 256.7), which benefited most. Kedah and Perlis, with similar income levels, benefited differently: Perlis (divergence index of 133.3) benefited more than Kedah (divergence index of 90.1). The richest State, Selangor (divergence index of 73.1), benefited more than the sixth poorest State, Malacca (divergence index of 61.0). This distributive pattern, in the main and with some changes, is also indicated by the TMP's revised allocations to States. These changes are indicated by the increase or fall in the divergence indices (column (k)) and rank orders (column (l)) compared to the divergence indices (column (i)) and rank orders (column (j)) of the TMP's original allocations. With the exceptions of Perak (the State with the fifth lowest income) and Selangor (the richest State), the divergence indices for all the States increased. The highest increases occurred among, in the main, low-income States like Kelantan, Trengganu, and Perlis with their divergence indices increasing from 211.1, 234.5, and

133.3 to 258.3, 275.9, and 144.4 respectively. Thus, under the TMP's revised allocations these three States benefited even more than before. Other low-income States like Kedah and Malacca did not do as well. The richest State, Selangor (divergence index of 55.6), benefited least, as it should. On the whole it would seem that the TMP's original and revised allocations, although generally benefiting the lower-income States more than the higher-income States, were not based on a progressively increasing scale in direct inverse relation to the decreasing income level of States as indicated by the lack of a direct inverse non-match between the States' income-level ranking (column (d)) and their divergence-indices ranking (columns (j) and (l)). This suggests that equalization was not systematically pursued under the TMP.

Table 3.3 shows the FoMP's original and revised allocations to the States of Peninsular Malaysia and the divergence index method used in Table 3.2 is again used. It again indicates that generally low-income States benefited more than high-income ones. Under the FoMP's original allocation the lowest-income State, Kelantan (divergence index of 283.7), benefited most but the second lowest income State, Perlis (divergence index of 144.4), benefited less than the third, fourth and sixth lowest-income States of Kedah (divergence index of 147.1), Trengganu (divergence index of 212.2) and Pahang (divergence index of 181.4) respectively. The richest State, Selangor (divergence index of 70.2), benefited more than the second richest State, Penang (divergence index of 42.7). The third richest State, Negri Sembilan (divergence index of 83.1), benefited more than the fourth and fifth richest States of Johore (divergence index of 78.8) and Perak (divergence index of 75.8) respectively. There are several changes to this distributive pattern as indicated by the FoMP's revised allocation to States and by the increase or fall in the divergence indices (column (k)) and rank orders (column (l)) compared to the divergence indices (column (i)) and rank orders (column (j)) of the FoMP's original allocations. The divergence indices for Kelantan (the poorest State), Kedah (the third poorest State), Malacca (the fifth poorest State), Pahang (the sixth poorest State), Johore (the fourth richest State), and Penang (the second richest State) fell to 214, 132.9, 65.8, 170, 77.5 and 41.1 respectively, with that of Kelantan's (-69.7) declining most. The divergence indices for Selangor (the richest State), Negri Sembilan (the third richest State), Perak (the fifth richest State), Trengganu (the fourth poorest State), and

TABLE 3.3  
Fourth Malaysia Plan, 1981-1985: Original and Revised Allocations (after Mid-Term Review) to States  
Compared to States' Gross Domestic Product, 1980

Peninsular State	States' GDP, 1980			FoMP Original Allocations			FoMP Revised Allocations			Divergence Indices <sup>b</sup> of FoMP Allocations		
	(a) \$m.	(b) Percentage of All States' Total	(c) \$ per Capita	(d) Rank	(e) \$m.	(f) Percentage of All States' Total	(g) \$m.	(h) Percentage of All States' Total	(i) Rank	(j) Rank	(k) Rank	(l) Rank
Selangor <sup>1</sup>	4,144	22.5	2,655	1	3,676.76	15.8	5,337.26	16.9	70.2	10	75.1	9
Penang	2,286	12.4	2,357	2	1,236.02	5.3	1,620.80	5.1	42.7	11	41.1	11
Negri Sembilan	1,090	5.9	1,817	3	1,131.19	4.9	1,564.97	5.0	83.1	7	84.7	6
Johore	2,941	16.0	1,726	4	2,929.18	12.6	3,897.94	12.4	78.8	8	77.5	8
Perak	2,967	16.1	1,583	5	2,834.04	12.2	4,268.52	13.5	75.8	9	83.9	7
Pahang	1,281	7.0	1,486	6	2,944.00	12.7	3,749.75	11.9	181.4	3	170.0	3

(continued)

TABLE 3.3 (continued)

Peninsular State	States' GDP, 1980		FoMP Original Allocations		FoMP Revised Allocations		Divergence Indices <sup>a</sup> of FoMP Allocations					
	(a) \$m.	(b) Percentage of All States' Total	(c) \$ per Capita	(d) Rank	(e) \$m.	(f) Percentage of All States' Total	(g) \$m.	(h) Percentage of All States' Total	(i) Rank	(j) Rank	(k) Rank	(l) Rank
Malacca	708	3.8	1,469	7	939.76	4.0	777.25	2.5	105.3	6	65.8	10
Trengganu	759	4.1	1,316	8	2,023.11	8.7	4,023.64	12.8	212.2	2	312.2	1
Kedah	1,291	7.0	1,101	9	2,188.68	10.3	2,924.82	9.3	147.1	4	132.9	5
Perlis	172	0.9	1,094	10	304.16	1.3	453.15	1.4	144.4	5	155.6	4
Kelantan	786	4.3	842	11	2,847.75	12.2	2,914.95	9.2	283.7	1	214.0	2
All States' Total <sup>2</sup>	18,425	100.0	1,886	-	23,254.65	100.0	31,533.05	100.0	100.0	-	100.0	-

Sources: Federation of Malaysia, *Fourth Malaysia Plan, 1981-1985*, Kuala Lumpur, Government Press, 1981, pp. 101 and 246; and Federation of Malaysia, *Mid-Term Review of the Fourth Malaysia Plan, 1981-1985*, Kuala Lumpur, Government Press, 1984, p. 215.

<sup>1</sup>Including the Federal Territory of Kuala Lumpur.

<sup>2</sup>Peninsular States' Total less Multi-State Allocations—allocations not assigned to any particular State.

<sup>3</sup>Divergence Indices calculated by dividing State's share of total original and revised allocations (in per cent) by State's share of total GDP (in per cent) and multiplying the quotient by 100.

Perlis (the second poorest State) increased to 75.1, 84.7, 83.9, 312.2, and 155.6 respectively, with that of Trengganu (+100) increasing most. On the whole, however, the low-income States, with the exception of Malacca, still benefited more than the high-income States with Trengganu and Perlis benefiting even more than before. The high-income States of Selangor, Negri Sembilan and Perak also benefited more than before. Surprisingly, Malacca (the fifth poorest State) benefited less than the richer States of Selangor, Negri Sembilan, Johore, Perak, and Pahang, and even less than before. It appears that the FoMP's original and revised allocations are still not based on a progressively increasing scale in direct inverse relation to the decreasing income level of States as indicated by the lack of a direct inverse relation to the decreasing income level of States. This is indicated by the lack of a direct inverse non-match between the States' income-level ranking (column (d)) and their divergence-indices ranking (columns (j) and (l)). This suggests that equalization under the FoMP is still not being systematically pursued.

The conflict over equalization is essentially between 'rich' and 'poor' States. The Central Government's response to such conflict will depend partly on the States' bargaining position and power. It may well be that the States which are politically strong will insist on obtaining at least a fair share of the Central development expenditure. The Central Government's attempts at equalizing inter-State wealth through development allocations reflect this political position. In this context political harmony must be paid for by some redistributive effort. In this communal considerations are an important factor. There is a communal complexion to the income disparity between 'rich' and 'poor' States: Malays are heavily concentrated in the relatively poorer States, as Table 3.4 indicates. Thus, reducing the income gap between Malays and non-Malays (one of the TMP's and FoMP's aims) requires also an equalization policy to eradicate inter-State disparity of income. When the States' communal distribution of population is compared to their per capita GDP and divergence indices, as Table 3.4 does, a striking pattern emerges: there is almost a direct matching of rank order between columns (a) and (d) of Table 3.4 but, in the main, there is also an inverse non-matching between these columns and column (b). Further, the five States in which Malays make up more than 61 per cent of their population have divergence indices well above 100, thus indicating that they benefited most from the TMP's and

TABLE 3.4  
 States' Per Capita GDP (Averages for 1975 and 1980) and Their Divergence Indices (Average for the Third Malaysia Plan's Original and Revised Allocations, and the Fourth Malaysia Plan's Original and Revised Allocations)  
 Compared to the Communal Distribution of Their Population (1973, in percentage)

Peninsular State	Communal Distribution in Percentage				Per Capita GDP		Divergence	
	Malays	Non-Malays		Rank	As a Percentage of Malaysian Mean	Rank	Index	Rank
		Chinese	Indians					
Trengganu	93.7	5.5	0.8	1	66.5	8	258.7	1
Kelantan	92.5	5.6	1.9	2	45.7	11	241.8	2
Perlis	79.0	16.5	4.5	3	61.4	10	144.4	4
Kedah	70.6	19.3	10.1	4	61.6	9	116.1	5
Pahang	61.0	31.4	7.6	5	85.7	6	217.5	3
Johore	53.4	39.5	7.1	6	95.5	4	85.6	6
Malacca	51.9	39.5	8.6	7	82.3	7	76.3	9
Negri Sembilan	45.2	38.2	16.6	8	102.2	3	80.5	8
Perak	43.0	42.5	14.5	9	85.8	5	82.9	7
Selangor	34.6	46.6	18.8	10	146.1	1	68.5	10
Penang	30.6	56.3	13.1	11	117.6	2	59.5	11

Sources: Tables 3.1, 3.2, and 3.3; and population figures from Department of Statistics, *Annual Statistical Bulletin, 1973*, Kuala Lumpur, Government Press, 1973.



FoMP's allocations. Four of the five States, the exception being Pahang, are also the poorest States. Malacca, the fifth poorest State, in which Malays constitute 51 per cent of the population, benefited much less than Pahang, the sixth poorest State, with 61 per cent Malays. Table 3.4 suggests that communal considerations are important in the redistributive effort that benefited the poorest States with their high Malay concentration.

The Central Government since the FMP (1971-5) has shifted its perception of inter-State inequalities in Peninsular Malaysia from that based on geographical regions to that of the constituent States of the Federation. Together with this it has become increasingly committed, especially under the TMP and FoMP, to the policy of equalizing inter-State wealth. Despite this, however, it seems unlikely, as the discussion suggests, that inter-State disparity in income would be eliminated. Not surprisingly and even with higher development allocations under the TMP and FoMP, there is generally, as Table 3.1 indicates, some, albeit small, improvement in the relative income (measured in per capita GDP) disparity among the various States. This suggests that the development allocations provided by the Central Government to the States ought to be radically increased and decreased for the low- and high-income States respectively if equalization of inter-State income disparity is to be achieved.

Development allocations to the States have been increasing. However, the bulk of the allocation to each State, under the TMP for example, would be spent by the Central Government and its Statutory Authorities. Table 3.5 indicates this. Financially at least, the State Governments', even including their own SEDCs',<sup>31</sup> role in development appears small. Organizationally there has been a proliferation of Central Government-owned Statutory Authorities including recently established Regional Development Authorities (RDAs). Table 3.6 shows the TMP's allocations to RDAs. The RDAs are Centrally-funded and controlled and have been established to pursue 'regional' development and the creation of 'centres of growth'. The Secretary-General of the Ministry of Finance, Abdullah Ayub, admitted that

...the implementation of the concept of regional development and the creation of centres of growth has [*sic*] further reduced the responsibility of State Governments in the development field to an even greater extent. The State Governments have also reluctantly accepted the growing influence and responsibility of the Federal Government in initiating and implement-

TABLE 3-5  
Third Malaysia Plan Allocations to States: Breakdown into Spending Authorities (\$ million)

Peninsular State	Central Government		State Government		Statutory Authorities				Total
	\$m.	Per Cent <sup>1</sup>	\$m.	Per Cent <sup>1</sup>	State Govt. owned		Central Govt. owned		
					\$m.	Per Cent <sup>1</sup>	\$m.	Per Cent <sup>1</sup>	
Johore	1,327.74	86.7	88.09	5.8	78.3	5.1	37.48	2.4	1,531.6
Kedah	636.53	74.5	20.65	2.4	115.1	13.5	81.84	9.6	854.1
Kelantan	816.54	80.1	17.65	1.7	81.2	8.0	103.44	10.2	1,018.8
Malacca	212.83	64.9	6.88	2.1	36.5	11.1	71.50	21.8	327.7
Negri Sembilan	395.75	64.2	19.76	3.2	48.5	7.9	152.56	24.7	616.6
Pahang	1,763.68	85.9	81.15	4.0	48.4	2.4	160.87	7.8	2,054.1
Penang	372.40	41.6	29.94	3.3	52.4	5.9	439.54	49.1	894.3
Perak	1,175.20	65.6	114.45	6.4	62.3	3.5	439.94	24.6	1,791.9
Perlis	116.42	74.4	1.00	0.6	32.5	20.8	6.57	4.2	156.5
Selangor	886.01	62.7	202.51	14.3	66.4	4.7	258.20	18.3	1,413.1
Trengganu	695.28	76.3	27.75	3.0	60.1	6.6	128.09	14.1	911.2
All States <sup>2</sup>									
Total <sup>2</sup>	8,398.38	70.8	609.83	5.1	681.7	5.7	1,880.03	18.4	11,569.9

Source: Federation of Malaysia, *Third Malaysia Plan, 1976-1980*, Kuala Lumpur, Government Press, 1976, Appendices I and II.

<sup>1</sup>Amount as a percentage of Total Authorities' Spending in the respective States.

<sup>2</sup>Exclusive of the Federal Territory of Kuala Lumpur.

TABLE 3.6  
Third Malaysia Plan Allocations to Regional Development  
Authorities (\$ million)

<i>Peninsular State</i>	<i>Regional Development Authorities</i>	<i>Allocation (\$m.)</i>
Johore	Johore Tenggara Development Authority	89.4
Kedah	Muda Agricultural Development Authority (MADA)	2.9
Kelantan	Kemubu Agricultural Development Authority	0.8
Malacca		
Negri Sembilan		
Pahang	Jengka Triangle Pahang Tenggara Development Authority	96.2
Penang		142.2
Perak		
Perlis		
Selangor		
Trengganu	Trengganu Tengah Development Authority	63.5

Source: Federation of Malaysia, *Third Malaysia Plan, 1976-1980*, Kuala Lumpur, Government Press, 1976, Appendices I and II.

ing vast development schemes such as that undertaken by the Muda Agricultural Development Authority which manages the rice bowl of the country in Kedah, and the several gigantic land development schemes... such as Pahang Tenggara and the [*sic*] Johore Tenggara and Kemubu scheme in Kelantan.<sup>32</sup>

Both financially and organizationally, the development efforts appear to have been decentralized through a large number of implementing agencies, of which the State Government is only one.

The Central and State Governments' development budgets are financed from the Federal Development Fund and the State Development Fund respectively. The Development Fund is a trust fund and is regulated by law.<sup>33</sup> Central and State Governments' development expenditures out of their respective Funds are made only after the development estimates have been duly approved by the Dewan Raayat and the State Legislative Assembly respectively.

The income of the Federal Development Fund<sup>34</sup> is derived from:

- (1) transfer of money from the Revenue Account;
- (2) loans floated locally and abroad; and
- (3) grants from foreign countries or institutions.

The income of the State Development Fund<sup>35</sup> is derived from these sources:

- (1) transfers of money from the State Revenue Account;
- (2) loans from the Central Government; and
- (3) reimbursement from the Central Government.

Sources (2) and (3) are open to influence by the Central Government and source (3) in fact constitutes extra-constitutional grants made on the basis of States paying first and being reimbursed later by the Central Government. States' development projects under the imburseable category include those for State roads, agriculture, forestry, and drainage and irrigation. In some cases States also carry out projects under the national development plan on behalf of the Central Government. In these cases the Central Government reimburses the States for their expenditure and issues clear-cut directives and planning guide-lines to them.<sup>36</sup>

Table 3.7 compares the Central and State Governments' development expenditure for the 1961-75 period. It indicates that each State Government's development expenditure is very small and is getting smaller in proportion to Central expenditure. Table 3.7 also indicates that despite the increase in per capita actual expenditure for all States, excepting Perlis, the All States' Government percentage had fallen during the 1961-75 period. This emphasizes the increasing dominance of the Central Government in the development area. Furthermore, as Table 3.8 indicates, Central Government reimbursements and loans contribute significantly to the financing of the State Governments' development expenditure. However, the amount of Central Government reimbursement and loans as a percentage of State Governments' development expenditure has generally been decreasing since 1967 and hence the State Governments' dependence on the Central Government has correspondingly decreased. Taken separately, the Central Government loans and reimbursement percentages have generally been increasing and decreasing respectively from 1967 onwards. Abdullah Ayub claimed nevertheless that the Central Government had to increase its reimbursable grants to States because some State Governments were reluctant to spend money on development, tending to leave responsibility for the provision of infra-

TABLE 3.7  
Comparison between the Central and State Governments' Actual Development Expenditure, 1961-1965,  
1966-1970, and 1971-1975 (Annual Averages) (\$ million)

Government	1961-1965			1966-1970			1971-1975		
	Total Actual Development Expenditure	Total Actual Development Expenditure	Total Actual Development Expenditure	Total Actual Development Expenditure	Total Actual Development Expenditure	Total Actual Development Expenditure	Total Actual Development Expenditure	Total Actual Development Expenditure	
	\$m.	Per Cent' \$ per Capita	\$m.	Per Cent' \$ per Capita	\$m.	Per Cent' \$ per Capita	\$m.	Per Cent' \$ per Capita	
Central Government	456.0	59.21	648.8 <sup>2</sup>	62.49	1,496.8	128.15			
States									
Johore	14.2	3.1	14.0	2.2	25.1	1.7	17.47		
Kedah	7.8	1.7	5.4	0.8	12.6	0.8	11.90		
Kelantan	7.4	1.6	5.6	0.9	9.4	0.6	12.37		
Malacca	4.2	0.9	3.0	0.5	6.2	0.4	13.78		
Negri Sembilan	6.8	1.5	3.6	0.6	11.8	0.8	21.85		
Pahang	12.8	2.8	9.8	1.5	20.2	1.3	34.24		

(continued)

TABLE 3.7 (continued)

Government	1961-1965			1966-1970			1971-1975		
	Total Actual Development Expenditure			Total Actual Development Expenditure			Total Actual Development Expenditure		
	\$m.	Per Cent <sup>1</sup>	\$ per Capita	\$m.	Per Cent <sup>1</sup>	\$ per Capita	\$m.	Per Cent <sup>1</sup>	\$ per Capita
Penang	8.2	1.8	11.95	11.8	1.8	15.25	20.3	1.4	23.60
Perak	15.2	3.3	10.26	14.2	2.2	8.76	20.2	1.3	11.61
Perlis	1.8	0.4	16.67	1.0	0.2	8.26	0.8	0.1	5.70
Selangor	18.0	3.9	14.32	19.2	3.0	12.47	56.6	3.8	30.27
Trengganu	9.0	2.0	26.48	6.0	0.9	15.14	16.9	1.1	36.74
All Peninsular States <sup>2</sup> Total	105.4	23.1	13.69	93.6	14.4	10.62	200.1	13.4	20.23

Sources: Federation of Malaya, *Financial Statements*, Kuala Lumpur, Government Press, annually, 1961-3; Federation of Malaysia, *Financial Statements*, Kuala Lumpur, Government Press, annually, 1964-75; States of Peninsular Malaysia, *Financial Statements*, Kuala Lumpur, Government Press, annually, 1961-75; Auditor-General, *Report on the Accounts of the States* (for each Peninsular Malaysian State), Kuala Lumpur, Government Press, annually, 1967-75; and population figures from Department of Statistics, *Annual Statistical Bulletin*, Kuala Lumpur, Government Press, annually, 1961-75.

<sup>1</sup>As a percentage of Central Government Development Expenditure.

<sup>2</sup>Inclusive of Central Government Expenditure throughout the Federation.

TABLE 3.8  
 Combined State Governments' Development Expenditure: Sources of Finance,  
 1967-1975 (\$ million)

Year	Development Expenditure	Sources of Finance					
		From State Revenue		From Central Government		Loan Fund	
		\$m.	Per Cent <sup>1</sup>	\$m.	Per Cent <sup>1</sup>	\$m.	Per Cent <sup>1</sup>
1967	153	61	39.9	57	37.3	35	22.9
1968	182	94	51.6	64	35.2	24	13.2
1969	216	141	65.3	56	25.9	19	8.8
1970	241	154	63.9	51	21.2	36	14.9
1971	240	155	64.6	46	19.2	39	16.3
1972	371	231	62.3	62	16.7	78	21.0
1973	332	211	63.6	69	20.8	52	15.7
1974	490	125	25.5	102	20.8	263	53.7
1975	572	319	55.8	95	16.6	158	27.6

Source: Treasury, *Economic Report, 1977/78*, Kuala Lumpur, Government Press, 1978, Table 4.10.

<sup>1</sup>Amount as a percentage of Total Annual Development Expenditure.

structural facilities and development programmes to the Central Government. He concluded that 'The Federal Government, therefore, has been taking on far greater responsibilities and initiative in the economic development of the States'.<sup>37</sup> The system of reimbursable grants, however, is open to abuse because once additional transfers of this kind enter into the anticipations of the State Governments the system becomes practically open ended. In this way States may be able to use 'development planning' to put pressure on the Central Government to give them additional reimbursable grants.

### Conclusion

Within the field of development the Central Government, by virtue of its constitutional and financial powers, is dominant and is getting even more dominant. However, the impact of this on the States is uneven as is the impact of the Central Government's economic development policy. This implies that, despite the Central Government's increasing commitment to equalization, inter-State income disparity still persists. Thus the financial imbalance (horizontal) between the State Governments' financial capacity to meet the same constitutional responsibilities remains structurally unresolved. Generally the Central Government's economic development planning, on the informal and extra-constitutional plane, has influenced the actual organization of Centre-State financial relations through its determination of which State should get what, when, and how. The increasing demand for development, as reflected in the increasing amounts being allocated under the Central Government's development plans, has tended to stress and strengthen the power of the Centre in Peninsular Malaysia.

1. Federation of Malaya, *Report of the Federation of Malaya Constitutional Commission, 1957*, Kuala Lumpur, Government Press, 1957, pp. 46-9. This Report was prepared by the Reid Commission which was given the task of drafting a constitution for an Independent Federation of Malaya. This Report will subsequently be referred to as the *Reid Report*.

2. For an economic analysis of these differences, see Lim Kok Cheong, 'Aspects of Regional Economic Problems and Policy in Malaysia', *Southeast Asian Affairs, 1979*, Singapore, Heinemann Educational Books (Asia) Limited for Institute of Southeast Asian Studies, 1979, pp. 200-10.



3. *Reid Report*, p. 61.
4. See M. Rudner, *Nationalism, Planning and Economic Modernisation in Malaysia: The Politics of Beginning Development*, Beverley Hills, Sage Publications, 1975, p. 43.
5. See Federation of Malaya, Economic Secretariat, *A Plan of Economic Development for Malaya, 1956-1960*, Kuala Lumpur, Government Press, 1956; Federation of Malaya, *Report on Economic Planning in the Federation of Malaya in 1956*, Kuala Lumpur, Government Press, 1957; and Rudner, *op. cit.*, p. 43.
6. Rudner, *op. cit.*, p. 43.
7. Federation of Malaya, *Second Five-Year Plan, 1961-1965*, Cmnd. 3 of 1961.
8. Federation of Malaysia, *First Malaysia Plan, 1966-1970 (FMP)*, Kuala Lumpur, Government Press, 1965.
9. *FMP*, p. 2.
10. The need to equalize wealth and prosperity among the States of Peninsular Malaysia was not even mentioned in the *FMP*. The Table showing the allocation of public development expenditure was according to two geographical regions, East and West Malaysia. See *FMP*, pp. 69-70.
11. The equalization policy was aimed essentially at uplifting the economically backward States of East Malaysia; see *FMP*, p. 71.
12. Federation of Malaysia, *Second Malaysia Plan, 1971-1975 (SMP)*, Kuala Lumpur, Government Press, 1971. The SMP continued the practice of treating East Malaysia separately and as an area of special development needs. It required and received extra money from a Central Government that felt a special responsibility for it. Significantly, the east coast States of Peninsular Malaysia, which were equally poor and with less potential than the East Malaysian States of Sabah and Sarawak, were not equally treated by the Central Government. There seemed, however, to be a bargaining dimension as to why the East Malaysian States were 'favoured'. According to sources with the Economic Planning Unit, Sabah and Sarawak fought very hard for what they wanted from the Central Government in development projects and they invariably got practically what they asked for in the SMP. The Peninsular States, however, traditionally did not place so much emphasis on acquiring Central Government development largesse *per se* and were somewhat disappointed accordingly. See James Osborn, *Area, Development Policy and the Middle City in Malaysia*, University of Chicago, Department of Geography, Research Paper No. 153, 1974, pp. 96-7.
13. *SMP*, p. 36.
14. *Ibid.*, pp. 43-5.
15. *Ibid.*, p. 46.
16. Federation of Malaysia, *Mid-Term Review of the Second Malaysia Plan, 1971-1975*, Kuala Lumpur, Government Press, 1973, p. 167. The SEDCs are usually chaired by the States' Mentri Besar or Chief Ministers and they operate at State level. They are involved in sponsoring a variety of activities ranging from industrial and commercial projects to housing and agricultural projects.
17. *Ibid.*, p. 16.
18. See Federation of Malaysia, *Third Malaysia Plan, 1976-1980 (TMP)*, Kuala Lumpur, Government Press, 1976, p. 233.
19. Federation of Malaysia, *Mid-Term Review of the Second Malaysia Plan*, p. 17.
20. *Ibid.*
21. *Ibid.*, p. 18.

22. *Ibid.*, pp. 19 and 143.
23. *Ibid.*, pp. 144 and 149.
24. *Ibid.*, p. 149. On 23 January 1975, Kelantan, Trengganu, Perlis, Sabah, and parts of Pahang, Kedah, and Johore were declared 'development priority areas' under the Locational Incentive Scheme. Treasury, *Economic Report, 1976/77*, Kuala Lumpur, Government Press, 1977, p. 12.
25. *TMP*, p. 217.
26. *Ibid.*, p. 39. See also Mohd. Nor Abdul Ghani, 'Evaluation Techniques in Malaysia', Socio-Economic Research and General Planning Unit, Prime Minister's Department, Kuala Lumpur, Paper presented to the UN Educational, Scientific and Cultural Organization Regional Seminar on the Application of Evaluation Techniques in Social Action Projects in Asia, Kuala Lumpur, 26-30 November 1979, p. 11.
27. *TMP*, pp. 205 and 236.
28. *Ibid.*, p. 214.
29. *Ibid.*, p. 119.
30. Federation of Malaysia, *Fourth Malaysia Plan, 1981-1985 (FoMP)*, Kuala Lumpur, Government Press, 1981, pp. 178-84.
31. The SEDCs are owned by the State Governments and they have been institutionalized through State legislation. Since Trade, Commerce and Industry, including the incorporation, regulation and winding up of corporations, are within the Federal list of the Constitution (Ninth Schedule, List 1 and Federal List, Section 8), Parliament has empowered States through the Incorporation (State Legislative Competency) (Amendment) Act, 1973, to enact relevant laws to develop State Development Corporations.
32. Abdullah Ayub, 'Financial Provisions of the Malaysian Constitution and their Operation in Practice', in Tun Mohamed Suffian Hashim, *et al.*, eds., *The Constitution of Malaysia: Its Development, 1957-1977*, Kuala Lumpur, Oxford University Press, 1978, pp. 313-14.
33. The Development Funds Act, 1966, being the current law regulating the use of the Development Fund.
34. Tan Sri Mohd. Suffian bin Hashim, *An Introduction to the Constitution of Malaysia*, Kuala Lumpur, Government Press, 1976, p. 183.
35. See *Financial Statements* of the various States.
36. W. Holzhausen, *Federal Finance in Malaysia*, Kuala Lumpur, Penerbit Universiti Malaya, 1974, p. 43.
37. Abdullah Ayub, *op. cit.*, p. 313.

## Centre-State Administrative Relations: Development of an Uneven Structure

THIS chapter maps out Centre-State administrative relations in Peninsular Malaysia. It begins with a brief and general discussion of Centre-State administrative relations, then the formal elements that make up these relations and ends with a discussion of attempts by the Central Government to federalize State bureaucracies. The discussion is continued in Chapter 5 through examining certain developments that have influenced these relations since Malayan independence and in Chapter 6 through comparing the bureaucracies of Kedah and Pahang in their respective relations to the Centre.

The choice of Kedah and Pahang needs some explaining. For convenience, it is necessary to narrow down the number of States to be compared to a manageable number. This has been made easier by the fact that these States can be categorized according to which type of political unit they belonged to before Independence, and especially before the Second World War. These political units were the Federated Malay States (FMS), Unfederated Malay States (UMS) and the Straits Settlements (SS). Perlis, Kedah, Kelantan, Johore, and Trengganu belonged to the UMS; Pahang, Negri Sembilan, Perak, and Selangor belonged to the FMS; and Penang and Malacca belonged to the SS.

These political units represented different types of political, administrative, and financial relations with the British administration in Peninsular Malaya. For States of the SS, these relations were 'direct' and immediate, while those with the Malay States of the FMS and UMS were 'indirect' in the sense that they were conducted through the individual Malay Royal Heads of States, Sultans or Rajas. Although 'indirect', these relations were tighter with members of the FMS than with those of the UMS. As such, the degree of British penetration was greater in the former than in the latter. States therefore belong to three distinct and different

political and bureaucratic traditions: those of the SS, FMS, and UMS. The decision to compare the bureaucracies of Pahang and Kedah in their respective relations to the Central Government was made not randomly but because they belong to contrasting types.

### *Centre-State Administrative Relations*

In principle States in a Federation should have a measure of administrative autonomy within their own spheres of constitutionally defined competence. Centre-State administrative relations then are affected by the allocation of administrative jurisdiction between the Central and State Governments and accordingly, as Watts puts it, 'the appropriate design of administrative structure must follow the functions to be performed'.<sup>1</sup> While it may be possible constitutionally to demarcate neatly the Centre's and States' administrative jurisdiction, in practice the consistent pattern has been one of Centre-State interdependence in the administrative field. This interdependence is affected crucially by the degree of legislative centralization and administrative decentralization.<sup>2</sup> This situation necessitates a certain degree of Centre-State administrative co-operation which is further necessitated by several other factors<sup>3</sup> including constitutional inflexibility and the ever-increasing pressure on the Centre to equalize or make uniform standards in the Public Services, for example.

The organization and control of administrative agencies—the Public Services—affect Centre-State administrative relations in crucial ways.<sup>4</sup> This is precisely because administration is crucially linked to the exercise of executive authority and the Government which organizes and controls the Services is in a position to influence the degree of administrative autonomy for the Centre or State. Usually in Federations there are dual Services—Central and State. The demand for separate State Services depends on the strength of Regional or State loyalties, as evident in Nigeria,<sup>5</sup> and is related to the fear that dependence on Services controlled by the Centre may weaken Regional or State autonomy.

Central Services can be tools for centralization. Equally, they can be used to generate consensus within a Federation of disparate States. In this case the principles of efficiency and representativeness are considered crucial in the recruitment and organization of these Services.<sup>6</sup> If the former principle is emphasized, then, because of inter-Regional or inter-State differences in size, educa-

tion standards, and economic development, the Services will tend to be dominated by personnel from the more advanced Regions or States. Thus, in Nigeria, the consequence of Nigerianization of the Central Services was the regionalization of these Services. To counter this, quota systems were evolved to redress somewhat this Regional imbalance.<sup>7</sup> In Canada, also, the issue of Provincial representativeness in the Central Services has been especially acute.<sup>8</sup>

The administration of economic policy in Federations also affects Centre-State administrative relations,<sup>9</sup> especially in the fields of economic development which usually require an active and extensive governmental role. The demand for rapid economic development is most insistent in 'newer' Federations: India, Malaysia, and Nigeria, for example. In these Federations the Centre has been allocated relatively broad powers in economic matters but States also have some powers in these matters. Centre-State co-operation is thus necessary in pursuing economic development but in this the Centre, because of its dominant position in the financing of development expenditure, is able to exert considerable influence.

In 'newer' Federations national development planning is used as the vehicle for achieving rapid economic growth. Potentially this can blur, perhaps destroy, the neat boundaries that divide the Centre from the States. Carnell, for example, has no doubt that 'National economic and social planning demand centralisation, which is precisely what federalism seeks to prevent. . . . Rigorous State planning demands rigorous central control because of the need for central budgeting.'<sup>10</sup> The federal structure in principle implies that the planning apparatus should function on the basis of Centre-State co-operation and consultation. Thus national development planning within a Federation necessarily involves a mix of very difficult financial, political, and administrative exercises between the Central and State Governments. Administratively, Central initiatives in planning have spawned Central agencies as well as intergovernment bodies.<sup>11</sup> Their activities, however, need not necessarily lead toward the centralization of power as the Indian experience suggests.<sup>12</sup>

In summary, Centre-State administrative relations are affected by the allocation of administrative jurisdiction to the Centre and States. However, the State Governments' effective autonomy is influenced by many factors, including, notably, the extent to which

they control the administrative agencies that execute their policies and the administrative impact of Centrally-controlled national planning.

### *Constitutional Basis*

The Reid Commission accepted the need for a Civil Service which should be free from political interference and based on merit, security of tenure, and absolute freedom from the arbitrary application of disciplinary provisions.<sup>13</sup> It believed that these ought to be attainable through an independent Public Services Commission (PSC). It recommended that the provisions designed to achieve these should apply equally to both Central and State Services. It also recommended that the Legislature and the Government should be responsible for fixing establishments and terms of employment, while the PSC should be responsible for the internal administration of the Service as a professional body and 'public service matters including appointments, promotions and the application, when necessary, of disciplinary provisions in respect of members of the public service'.<sup>14</sup> These features should also apply to State Civil Services, convinced as the Commission was that this would be in the interests of the proper administration of the States. However, it argued unconvincingly that the States should not have their own independent PSC since 'it would be uneconomic to have separate commissions operating in each State, and further we believe it would add to the efficiency of both Federal and State services if there could continue to be a considerable interchange of officers between them'.<sup>15</sup> It thus recommended that the PSC ought to have the same powers over State and Central employees.<sup>16</sup> Presumably the single PSC, through its powers over appointments and promotions, would effect that considerable interchange of officers between Central and State Services believed essential to both Services' efficiency.

The Commission recommended that positions in the Federation's Public Service should be divided into three categories: higher posts or Heads of departments, other posts in the permanent Public Service, and temporary and casual posts. Appointments to the first should be made by the Central Government on the PSC's recommendation, the second by the PSC, and the third by the department concerned.<sup>17</sup> As for the States, the Commission emphasized that 'The State Governments should also enjoy the

same powers with respect to their heads of department as does the Federation'.<sup>18</sup>

The size of State administrative establishments was also examined by the Commission.<sup>19</sup> It was concerned especially with pensionable posts within such establishments. Under the existing system the Central Government was responsible for paying the pensions of all pensionable officers of the Central and State Services. Thus the Central Government had to approve any increase in pensionable posts and emoluments. In this situation, since it would be difficult to fill non-pensionable posts, State establishments were virtually under Central control. It was convinced that this situation, if continued, would deny the States that 'measure of autonomy' contemplated by the terms of reference. It also believed, however, that it would be undesirable for States, already dependent on Central grants, to assume responsibility for the payment of pensions from their limited funds. Its argument seemed to be that if the States were to assume this responsibility their finances would be further weakened; this would increase their dependence on Central grants and thus reduce their capacity to enjoy that 'measure of autonomy'. It further believed that the movement of staff between the Central and State Services was desirable and should not be hindered by complications arising over pension rights.

To overcome this unsatisfactory situation the Commission sought some form of shared Centre-State responsibility<sup>20</sup> which would require the States to pay yearly an appropriate contribution into a National Pension Fund, managed by the Central Treasury, for every pensionable officer in their employ. The rate of contribution would be determined by the Central Government after consultation with the National Finance Council. Along with this financial responsibility the States would have the power to determine the number of pensionable posts and their salaries. Thus any increase in pensionable posts and emoluments would increase the States' liability to pay pension contributions.

These recommendations dealt generally with the control of the nature and composition of both Central and State Services. However, the question of who should control the activities or functioning of these Services was also important. To avoid Centre-State conflict and to promote Centre-State administrative co-operation the Commission recommended that 'there should be a general power of delegation conferred on both Federal and State

Governments with regard to the performance of any of their executive functions'.<sup>21</sup> It would thus be possible for the functioning of both the Central and State Services or their respective personnel to be under the 'delegated control' of either the Central or State Governments. Any such delegation must, however, 'require the consent of the Government to which or to whose officers the delegation is made and should be on such terms and conditions as may be agreed'.<sup>22</sup> Furthermore, any Act of Parliament requiring a State to undertake executive authority for a specified purpose was made subject to payment to the State of the costs incurred by it.<sup>23</sup> Apart from the need to establish a framework for Centre-State administrative co-operation, these proposals were aimed also at avoiding unnecessary duplication of staff and to make full use of the available technical resources.

The 1957 Constitution did not establish an all-embracing PSC with jurisdiction over the Central and State Services as recommended by the Reid Commission. It provided that there should be a Central PSC which should on Merdeka Day have jurisdiction over members of the Public Services of the Federation and the States of Malacca and Penang (States of the former SS).<sup>24</sup> Other States (the former FMS and UMS), however, had the option of either establishing their own State PSC or, by State law, placing all or any persons in their State Public Services under the Central PSC. The Constitution thus accorded the former FMS and UMS a right that was denied the States of the former SS. This, according to Hickling, was the result of a compromise.<sup>25</sup> If, however, any of the Malay States 'after a relevant date' had not established any Service Commission 'corresponding in status and jurisdiction to the Public Service Commission', Federal law could extend, and indeed has extended, the Central PSC's jurisdiction to members of the State Service. But, excepting those of Malacca and Penang, State civil servants could be controlled by a body having a different composition and independent of that which control officers of the Central Government.

The 1957 Constitution also introduced the concept of 'joint services'.<sup>26</sup> Parliament was empowered to legislate for the establishment of 'joint services' common to the Federation and one or more of the States, or at the request of the States concerned, to two or more States. According to Sheridan this was designed 'To provide for the replacement of earlier arrangements under which, by virtue of an agreement between the Federal and State Govern-



ments, certain posts in the State Public Services were in fact filled by federal officers'.<sup>27</sup> Parliament, however, did not enact any law for establishing 'joint services'. The principle of and mechanism for the intergovernment secondment of officers was also established.<sup>28</sup> Secondment is used when any State Government requires the services of Central officers, when the Central Government requires the services of State officers, or when any State Government requires the services of officers of other States.

Several constitutional provisions strengthened the Central Government's powers over the State administrative body and its officers. To promote administrative convenience, Article 80(4) and (6) empowered the Central Government, after due compensation of costs incurred by the State, to compel the State and its administrative body to administer any specified provisions of Federal law. It was further empowered by Article 110(4)(b) to assign to the States the responsibility for collecting for State purposes any fee or fees authorized by Federal law. Article 93 permitted it to conduct enquiries, authorize surveys, or collect and publish statistics on any matter. In the execution of such powers the State Governments and all their officers are obliged to assist. In this the Central Government may give any directions it deems necessary. Sheridan and Groves commented:

What is, perhaps, exceptional is the apparent right of the federal government to give directions to State Government and State officers and authorities to accomplish these purposes. The article imposes a duty upon such officers and authorities to act as directed; but since the question of coercion is a difficult one, the purpose of the article is possibly merely directory.<sup>29</sup>

Article 94 empowered the Central Government to make all State agriculture and forestry officers, except those in Sabah and Sarawak, accept its professional advice concerning their duties.<sup>30</sup> However, the means of compelling these State officers to act as advised appear, as in the case of Article 93, to be uncertain.<sup>31</sup> Interestingly also Article 95(1) authorized the Central Government, through its officer or officers, to inspect and report on any department or work of a State Government. Article 95(3), however, reduced the scope of this Central Government scrutiny to only those departments or works involved in matters outside the exclusive authority of the States.

The Central Government was made responsible for the payment

of all pensions to both Central and State public servants.<sup>32</sup> Thus, the practice before Malayan Independence was continued. The Reid Commission rightly considered this practice to be inimical to that 'measure of autonomy' that States ought to enjoy. Its recommendation that there should be Centre-State responsibility over pensions was designed to reduce Central control over State Establishments and allow the States to enjoy that 'measure of autonomy'. Article 112, excepting non-pensionable posts, strengthened the Central Government's fiscal control over the size of a State's public service. Thus, through fiscal control, the Central Government could limit the size and hence the 'autonomy' of a State's administrative body and its officers. Generally the Constitution has equipped the Central Government with substantial powers to penetrate and influence the functioning of a State's administrative body and its officers.

### *Public Services Commissions*

At Independence Article 139 placed the Public Services of Penang and Malacca as well as Central Public Services under the Central PSC's jurisdiction. The other States had two choices: either to extend the Central PSC's jurisdiction to their Public Services or to establish their own State PSCs. These States responded differently. Perlis and Negri Sembilan opted for the former; so did Pahang initially, but decided later to have its own PSC.<sup>33</sup> Johore, Perak, Kedah, and Kelantan passed the necessary legislation to establish their own State PSC, while Selangor and Trengganu have established their PSCs under their respective State Constitutions.<sup>34</sup> These Services Commissions are quasi-constitutional agencies. They are supposed to protect the 'civil service' and 'service standards' from political interference. They have responsibility for selection for entry into the Civil Services, Central or State as the case may be, and for promotions and discipline in the respective Services. Proper co-ordination and co-operation between the Central and State PSCs were found wanting. Also lacking was uniformity in policy and procedure.<sup>35</sup>

### *The Central Bureaucracy*

The Central Bureaucracy is made up of several services. Of these<sup>36</sup> the Malaysian Administrative and Diplomatic Service (MADS)

or the *Perkhidmatan Tadbir dan DiplomatiK (PTD)*, previously the Malayan Civil Service (MCS), is the most powerful and prestigious. The Malay Administrative Service (MAS), the feeder service to the MCS, was restructured to form the General Administrative Service (GAS) or the *Perkhidmatan Tadbir Am (PTA)*. Members of the PTA could still be recruited into the PTD. The PTD and PTA are the two most important Central Administrative Services.<sup>37</sup>

The staff of each of the Central Services are classified into four divisions:

1. Division I: the administrators and professionals (usually with University qualifications),
2. Division II: the executive and technical (usually with post-secondary school qualifications),
3. Division III: the clerical and sub-professional (usually with secondary school qualifications), and
4. Division IV: the unskilled.

These divisions form the horizontal structure of the Services. The vertical structure of these Services comprises several schemes of service,<sup>38</sup> each of which has its own entry qualifications, salary scales, and promotion requirements, and is placed in one of the four divisions. With few exceptions, the Service's structure is rigid, both vertically and horizontally. This has encouraged psychological and jurisdictional parochialism and discouraged self-improvement and innovation and consequently such Services 'tended to be inbred and to resist external communication and pragmatic co-ordination'.<sup>39</sup>

Since Malayan Independence the departments—the structural units in the pre-independent Central Government—have been placed under the control of Central Ministries. These ministries are staffed by PTD officers and controlled by those PTD officers holding posts in the crucial divisions of planning, personnel, and finance within each Ministry. Each Ministry is usually headed on the Civil Service side by the Permanent Secretary, now called the Director-General, who belongs to the PTD.

There are several key Central agencies. First, the Treasury within the Ministry of Finance specializes in ordinary budgeting, expenditure control and supply administration. Second, the Public Services Department (PSD), formerly the Federal Establishment Office (FEO), within the Prime Minister's Department, functions as a large staffing agency responsible for recruiting and employing

all Central civil servants. It in effect controls the personnel system. Through its control of the pension system it approves or disapproves the establishment and grading of both Central and State Governments' pensionable posts. It also adjudicates the pension rights of all Central and State employees benefiting from the Government's non-contributory scheme. Third, the Economic Planning Unit, established in 1959 within the Prime Minister's Department, performs the development planning function through its control of the drafting of the development budget and the five-year development plans. Other Central agencies have recently been established within the Prime Minister's Department. These include the Implementation Co-ordination Unit (ICU), the Malaysian Administration and Manpower Planning Unit (MAMPU), and the Socio-Economic Research Unit (SERU).<sup>40</sup> These, together with the Cabinet Secretariat, represent the highest policy-making level within the Central Government. All senior positions within these Central agencies are filled by PTD officers.

The PTD officers' pre-eminent position and status within the Central bureaucratic system are reflected in the posts they hold at the highest policy-making and Ministerial levels and in the number of superscale posts (grade structure) within the PTD compared to other Division I Central Services or State Civil Services. At the Central level PTD officers are effectively in a position to control the bureaucratic machinery. PTD officers can also be posted to any State or be seconded to any State's Civil Service, lending it an 'All-Malaya' character. However, because of the PTD's very uneven distribution among the States of Peninsular Malaysia, especially with regard to the former UMS that have their own State Civil Services (SCSs), its 'All-Malaya' character is, in practice, somewhat restricted, as will be indicated later. Nevertheless, institutionally the PTD's dominant position within the Malaysian bureaucratic structure is evidenced by the posts its officers hold, the grade structure and the pan-Malaysian distribution, although uneven, of its officers.

### *The State Bureaucracy*

The State Services have a similar four-division structure. However, only Johore, Kedah, Kelantan, Perlis, and Trengganu have State Services beyond the clerical levels. These States have their own State Civil Services whose officers hold most, if not all, of the senior

and junior State administrative posts.<sup>41</sup> They also have their own State Clerical Services. Negri Sembilan, Pahang, Perak, and Selangor only have their own State Clerical Services. Thus, in these States the senior and junior State administrative posts above the clerical levels are generally filled by seconded PTD and PTA officers. Penang and Malacca, before their SCSs were integrated with the Central Service in 1974, as will be discussed later, had State Services beyond the clerical levels and also their own clerical establishments. Nevertheless, Penang and Malacca also relied on seconded PTD officers to fill their senior administrative posts while their own SCSs' officers filled the junior administrative posts.<sup>42</sup> Only Penang and Malacca do not use personnel from the Central Clerical Services. None of the States has its own professional and technical services to fill key posts in the technical departments. They thus have to rely on seconded officers of the Central Technical and Professional Services. Centre-State intergovernmental agreements govern the appointment of seconded Central officers to posts within the State bureaucracy.<sup>43</sup> Thus there are three categories of States with different levels of dependence on the PTD and PTA: the non-federalized bureaucracies of States of the former UMS which have their own SCSs; the quasi-federalized bureaucracies of States of the former SS which, although having their own SCSs, still, before 1974, depended on the PTD to fill their senior administrative posts; and the federalized bureaucracies of States of the former FMS which totally depend on the PTD and PTA.

The State Civil Service is headed by a State Secretary. In the States of the former FMS and SS, the State Secretary is a seconded senior PTD officer while in the States of the former UMS he is usually an officer of their own SCSs. The State Secretary's post, as Table 4.1 illustrates, is not uniformly graded. He heads a small Secretariat which handles personnel, housekeeping, local government, and miscellaneous functions. The Secretariat assists the *Mentri Besar* or Chief Minister and the State Executive Council.

Each State has several other senior officers including the State Financial Officer, State Director of Planning, and State Legal Adviser. In the States of the former FMS and SS these officers, with the exception of the State Legal Adviser, are from the PTD while in the former UMS they are normally from the States' own SCSs. The State Legal Adviser in each State is a seconded officer of the Central Legal and Judicial Service. In addition, the posts of

TABLE 4.1  
Grades of State Secretaries, 1979

<i>State</i>	<i>State Secretary's Salary Scale</i>
Johore	Superscale C
Kedah	Superscale D
Kelantan	Superscale D
Malacca	Superscale E
Negri Sembilan	Superscale E
Pahang	Superscale C
Penang	Superscale C
Perak	Superscale C
Perlis	Superscale F
Selangor	Superscale D
Trengganu	Superscale D

*Salary Range for Superscale Posts (\$ per month)*

Superscale C	$3,215 + 150 = 3,365$
Superscale D	$2,965 + 150 = 3,115$
Superscale E	$2,745 + 120 = 2,865$
Superscale F	$2,525 + 120 = 2,645$

Source: Information obtained from Public Service Department.

State Development Officer and State Director (formerly Commissioner) of Lands and Mines are normally, apart from Kedah as will be discussed in Chapter 6, only for PTD officers. The State Development Officer's post is paid for from Central funds but the other posts mentioned above are paid for from State funds. Appointments of PTD officers to posts within a State require the approval of the State Government concerned.

Each State also has several technical departments<sup>44</sup> which are responsible for functions assigned to it by the Constitution. The Division I officers who head and man these departments are, in every case but religious affairs, drawn from the Central Technical and Professional Services and posted from Kuala Lumpur. Their salaries and the departments' operating costs are paid from State funds. The subordinate technical and clerical staff are from the State Service although the PSD has to approve their positions if these are pensionable. Esman argued that the Heads of these departments effectively formulated and operated their own pro-

grammes virtually independently of direction and co-ordination by the State Governments.<sup>45</sup> However, this 'autonomy' may be reduced by their dependence on the State Governments for junior personnel and operating budgets (usually a routine procedure), the occasional intervention of the *Mentri Besar* or the Chief Minister, and the State Development Officer's activities in development matters.

Each State is divided into several administrative districts, each with its own District Officer.<sup>46</sup> In the former UMS all the District Officers belong to the respective SCSs, while in the other States the District Officers are from the PTD. The District Officer is directly responsible to the State Secretary. In most States, the District Officer is head of the District Land Office which is responsible for collecting land revenues, processing applications for State lands, registering the transfer of titles, settling small estates, chairing the non-autonomous town boards and the various District-level committees. The two most important of these committees, the District Action Committee and District Development Committee, are concerned with rural administration and development. The District Officer is often subjected to different and sometimes conflicting pressures and is usually caught in the middle: perceived as the District's executive head but yet subject to direction from his superiors in the State and Central capitals. On this Kamarudin Rani commented that

The District Officer/Collector has the difficulty of having to play the role of multiple subordinations: he is accountable to the State Director of Lands and Mines, the State Development Officer, the State Financial Officer, the State Secretary, as well as to the State political leadership in the day-to-day exercise of his broad areas of responsibility.<sup>47</sup>

The effectiveness of District administration, however, is affected by the 'transient nature' of the District Officer. As a PTD or SCS officer, he is attracted by the strong pulls of Kuala Lumpur or the State capital. This is because the top, most highly-paid, and prestigious posts within the Central and State bureaucracies are located in the respective capitals. Naturally, District Officers of the PTD will look to Kuala Lumpur while those of the SCSs will look to the State capitals. While the career prospects and patterns of the former are essentially governed by factors which are external to the State within which they serve, those of the latter are essentially governed by factors which are internal to the State. The

District Officers' mobility, be they PTD or SCS officers, is also influenced by the number of top-scale posts within the respective services. In this the PTD officers have an advantage since the PTD compared to the SCSs is a much bigger service with many more superscale posts. Their mobility, it is reasonable to assume, must also be influenced by their personal contacts and the assessment of their work by both the Central and State Governments.

Generally in the former UMS all but the Technical and Professional Services are recruited by the State from within the State. In the former FMS only the clerical workers and the public labour employees are similarly recruited; all the generalist administrators are seconded PTD and PTA officers. Up till October 1974, in the States of the former SS the lower-level generalist administrators, clerical workers, and public labour employees were similarly recruited but several senior generalist administrators were seconded PTD officers. All the States' Technical, Professional and Specialist officers are on loan or secondment from the respective Central Services. Central officers serving in and paid for by a State are, in principle, responsible to the State Government.

### *Federalization of the State Bureaucracies: The Administrative Services*

Three bureaucratic traditions that had developed at the State level remained intact at the time of Malayan independence. The Reid Commission<sup>48</sup> did not question the need for the continued existence of those SCSs belonging to the former UMS and SS. This was in accord with its terms of reference that States should have a certain 'measure of autonomy'. However, it did not recommend that the former FMS should now be given the opportunity to establish their own SCSs similar to that of the former UMS. The Constitution of 1957 also failed to provide for this opportunity. This seems to be a surprising omission. Administration is so intimately linked with the exercise of executive authority, Central or State, that it would be reasonable to expect that each level of Government within a Federation would have, or be given the option of having, its own Services. This omission thus provided for the continuance and strengthening of differences in status between the non-federalized, quasi-federalized, and federalized State bureaucracies. The Constitution introduced instead the



concept of 'joint services' and the principle of and mechanism for the intergovernment secondment of officers.

The establishment of joint services and the use of secondment, if agreed to by the States, could conceivably lead to the standardization, or perhaps equalization, of status of the State bureaucracies, especially between those which are non-federalized and quasi-federalized. Potentially, such joint services would strengthen State administrations by enlarging the field of recruitment and attracting the best men under either State or Central Governments. Furthermore, such Services might facilitate intergovernment cooperation, encourage a less parochial outlook and avoid an uneconomic duplication in administrative bodies. However, the impact of joint services would reduce the degree of autonomy enjoyed by States that have their own SCSs. Would these reputed advantages, however, outweigh the loss of that 'measure of autonomy' granted to States having their own SCSs? The States remained unconvinced and 'that despite the enabling provisions, no joint services have in fact been established, and there has been no enthusiasm for them'.<sup>49</sup> So far intergovernment secondment of officers has been regularly practised in the hope of strengthening State administrations.

Federalization of the State bureaucracies would entail two consequences. First, the SCSs of the former UMS and SS would have to be dismantled and restructured. Second, by integrating officers of such Services into a common (that is, Central) Service, the MCS or MAS, the bureaucratic systems of such States would be made uniform with those existing in the former FMS. Federalization would affect only the Administrative Services, i.e. the SCSs, of the bureaucracies of the former UMS and SS. Federalization, however, would limit these States' formal control over their administrative officers.

Attempts to federalize the fragmented bureaucratic systems of Peninsular Malaysia have been frequent.<sup>50</sup> In early 1957 a Committee, set up with the agreement of the Rulers of the Malay States and the Central Government, was entrusted with the task of preliminary planning for the integration of the SCSs of the former UMS and SS with the Central Administrative Service.<sup>51</sup> This Committee was chaired by Tuan Hj. Mustafa Albakri.<sup>52</sup> Its task was to work out a system whereby the then varying conditions of service of the various SCSs could be unified. Several meetings were held just before Independence but these failed primarily

because certain State Governments were unwilling to co-operate. Several requests by the chairman to the State Governments for suggestions regarding the methods that should be used for integrating the Services were not answered. Despite the Rulers' agreement to the setting up of the Committee, certain Rulers of the former UMS rejected the unification of their SCSs. They feared that through unification their previously autonomous SCSs would be federalized and reduced to the level then existing in the former FMS with the consequent loss of autonomy to their States. The former UMS feared that the integration of their SCSs would take away their best men. There was some basis for this fear. For after the SCSs were integrated into a common Central Service, all former State civil servants, as members of a common Service, would be liable, under normal transfers and/or promotion exercises, to be transferred or promoted out of their own States. More important, the States were unreceptive to the integration of their SCSs because they believed that they would lose control over what used to be their own Civil Services. The State civil servants of the former UMS were under the exclusive jurisdiction of the respective States. Integration of the SCSs with the Central Service would surely erode this State power. Central initiative and enthusiasm for the integration of the SCSs with the Central Service was rejected by the States. In despair the Committee's chairman could only re-emphasize that 'A way must be found to unify the services in the interests of the country'.<sup>53</sup> The former UMS, especially their Rulers, had still to be convinced and persuaded. The Committee lapsed after Malayan Independence. In November 1958 Tuan Hj. Mustafa Albakri, disappointed by the Committee's performance, stated that 'The Committee died for want of nourishment. I would not say that the Committee and its duties had died because there was lack of support by the State Civil Services. Nor would I say that the death was not due to lack of support by the State Civil Services.'<sup>54</sup> Perhaps if the State civil servants had been convinced of the necessity for the integration of the SCSs with the Central Service then the Ruler's resistance might have been gradually overcome.

The FEO assumed the Committee's task in early 1958.<sup>55</sup> Apart from getting the relevant State Governments' and Rulers' approval, the problem of the differences of status and accompanying conflict of interests between the SCS members and the MAS would have to be overcome. The MAS was a feeder Service

to the MCS but the SCSs were not. The salary scales of the SCSs were higher than the MAS and in fact the top posts were not only Division I posts but equivalent to superscale posts within the MCS. While the majority of the SCS posts were Division II posts, all MAS posts were Division II posts. Table 4.2 illustrates this. It compares the Kedah SCS, taken as an example of States with their own SCSs, with that of the MCS and MAS in terms of Divisional grades and salary scales. Integration, at the very least, should not penalize either the members of the SCS or the MAS with regard to their chances of entry into the MCS. For SCS members who held posts which, according to Divisional grades and salary scales, were equivalent to those existing within the MCS, integration should mean at least their absorption into equivalent MCS posts. The top-echelon SCS members would benefit through being absorbed into the prestigious MCS because their career and promotion prospects would be enhanced in a Service that contained the largest number and highest grades of superscale posts within the Malayan bureaucracy as a whole. For the lower-echelon SCS members whose posts were somewhat equivalent to those of the MAS, integration, at the very least, ought to mean that superscale posts within the SCSs or their equivalent should not be closed to them. The MAS had no such superscale posts and its members were usually promoted into the MCS to allow them the benefits of higher-scale posts. It would seem logical that such SCS members be integrated into the MAS first and then by promotion into the MCS. That the Central Government offered to relax the conditions for promoting MAS officers to the MCS indicated that it was attempting to entice lower-echelon SCS members by reassuring them that integration via the MAS would not necessarily limit their chances of entering the MCS. In this way the FEO hoped to work out a system of integrating SCS members into a common Central Service.

However, some SCS officers were undecided because of salary differences between the SCS and the MAS. They feared that they would not be taken into the higher MCS.<sup>46</sup> Not surprisingly, the two-tier approach of integrating the SCSs into the Central Service was especially resented by the lower-echelon SCS members. They felt that this would split the SCSs into two parts—the favoured few at the top and the disadvantaged masses at the bottom. The former would, on integration, enjoy all the benefits available within the MCS. However, the latter group would be denied the usually

TABLE 4.2  
 Comparison of Grades and Salary Scales in the Kedah State Civil Service, Malaysian Civil Service,  
 and Malay Administrative Service, 1958 (\$ per month)

<i>Malayan Civil Service</i>	<i>Kedah State Civil Service</i>	<i>Malay Administrative Service</i>
<i>Division I Salary Scales</i>		
Staff Appointment	2,270	
Superscale A	1,970	
Superscale B	1,850	
Superscale C	1,760	
Superscale D	1,670	Superscale D
Superscale E	1,580	
Superscale F	1,490	
Superscale G	1,430	
Superscale H	1,360	
Timescale	982 + 34 - 1,254	Class IA 1,057 + 28 - 1,141
Timescale	592 - 628 + 34 - 934	Class IB 836 + 28 - 1,032
<i>Division II Salary Scales</i>		
		Timescale:
		738 + 25 - 813
		615 + 25 - 715
		324 + 21 - 450
		280 + 15 - 310

Sources: Federation of Malaya, *Staff List*, Kuala Lumpur, Government Press, 1959; and Kedah, *Estimates of Revenue and Expenditure, 1959*, Kuala Lumpur, Government Press, 1958.

normal and expected opportunity of enjoying the benefits of top posts that were available within the SCSs and since their Service ranking would be that of the MAS they would not immediately enjoy the benefits of integration. Consequently their aspirations for higher posts could only be met by the difficult process of promotion into the MCS.

The FEO's offer to relax the conditions for promoting MAS officers into the MCS was meant also to persuade MAS officers to agree to the integration plan. The MAS officers had to be made to feel that they were not losing out on the deal. They correctly saw lower-echelon SCS members as their competitors for MCS posts. The MAS Association, however, responded by submitting two claims: for a better salary scale and better service scheme.<sup>57</sup> The FEO agreed to the former and offered a better salary scale but it ignored the latter. This offer would also include the SCSs in the former UMS. The MAS Association accepted the FEO's offer to relax the conditions for upgrading from MAS to MCS.<sup>58</sup>

The success of the FEO's integration plan depended critically on its acceptance by those State Governments with their own SCSs and also by the Rulers of these States and members of the respective SCSs. MAS, already a Central Service, could not really oppose such Central initiative. MAS's status as a feeder Service of the MCS had been established well before Malayan Independence. Apart from the lateral absorption of the top SCS posts into the MCS, the MAS was proposed as a conduit for the absorption of lower-echelon SCS members. The States with their own SCSs rejected the FEO's integration plan. A FEO spokesman admitted that the plan's failure was primarily due to the unenthusiastic attitude of the State Governments towards it.<sup>59</sup> Furthermore, the Rulers themselves were not in favour of the consolidation of their SCSs. The spokesman revealed that the SCSs of Kedah and Johore had been particularly opposed to the integration for fear that their good civil servants might be transferred to the proposed Central Civil Service. Despite this failure the Central Government reiterated its commitment towards the integration of the Civil Services but the State Governments remained unconvinced of the advantages of integration.

Attempts to convince the State Governments of the need for integrating their SCSs were continuously pursued. Such attempts were prompted by the Central Government's increasing apprehension that the State bureaucratic apparatus might lack the ca-

capacity (in terms of numbers, training and perhaps motivation) to implement the increasingly important and expensive National and State Development plans. This apprehension was further heightened by the increasing billions of dollars that the Central Government had been pouring into the less-developed States which, in the main, are the former UMS with their own SCSs. Montgomery and Esman, in a report to the Central Government, highlighted the shortcomings of the State bureaucracies, especially within the field of development. They argued that in Malaysia, State administration 'tends to lag behind the federal. This is true because the States tend to perform many of the more traditional functions of government and have fewer financial resources at their disposal'.<sup>60</sup> To improve the States' administrative performance they recommended that

The proposed new federal facilities of in-service training, central procurement and the services of the DAU should be made available to the State Governments. *The government should gradually achieve uniform qualifications and salaries for all occupants of professional posts [including posts within State bureaucracies] and require State governments to use federal job qualifications and written examinations when available.*<sup>61</sup>

The lower calibre and quality of State civil servants compared to Central civil servants of the PTD has been gradually and widely acknowledged. Furthermore, the SCS 'in some cases were afflicted with nepotism and patronage. Thus the more able and ambitious young graduates gravitated to the more modern atmosphere and greater opportunities provided by the MHFS.'<sup>62</sup> Apart from the generally lower entry requirements, the perspective and orientation of the SCS officers have been naturally circumscribed and conditioned, and thus limited, by the State within which they serve. Their world and prospects lie within their State. Not surprisingly, what they believe to be 'their and State' interests could easily be in conflict with 'Central or National' interests. Their narrow perception, perhaps parochialism, is further emphasized and enhanced by their social contacts which are confined within the State and to people of the same ilk. In comparison, Central officers who are frequently transferred in and out of Central Ministries and the former FMS and SS have a much wider perspective and work experience and, through their frequent visits to Kuala Lumpur for both formal and informal gatherings, have a much wider social universe. For the Central Government

then, federalization through integrating the SCSs with the Central Service would make uniform or equal all the State bureaucracies in terms of status, skills, efficiency and capacity and, at the same time, break down the social enclave and insulation that have shielded the SCSs from Central influence.

The Central Government's federalization attempts were only partially successful. In April 1974 it announced that the MAS would be replaced by a new Central Service. This new Service, called the General Administrative Service or *Perkhidmatan Tadbir Am*, would merge the MAS with the SCSs.<sup>63</sup> However, a Central Government circular<sup>64</sup> indicated that only Penang and Malacca had agreed that their SCSs be absorbed either into the PTD or the PTA. Officers of these SCSs who were in superscale IB (monthly salary between \$1,500 and \$1,700) and above would be absorbed into the PTD and those below this scale would be absorbed into the PTA. The integration was to take effect on 1 October 1974 and with this the Penang and Malacca SCSs were abolished. The former UMS which disagreed with the absorption of their SCSs into either the PTD or PTA were encouraged to agree as soon as possible. SCS members were not given the option of electing to be absorbed individually into either of the two Central Services. Furthermore, any delay by the State Governments on agreeing to allow their SCSs' absorption would in effect penalize SCS members in terms of seniority, for if and when they were to agree to their SCS's absorption, SCS members would lose seniority equivalent to the period during which their SCSs were not absorbed after 1 October 1974. Thus, the longer the State Governments delayed joining the unification plan the more their SCS members would be penalized, making it all the more costly for them to contemplate, and accept absorption in its present form.

Despite the Central Government's attempts at federalization, the former UMS had successfully preserved the autonomy of their SCSs. Not surprisingly, the blame for the ineffectiveness of these States as implementing agents of the Central Government's development plans has been placed squarely on the continued existence of the autonomous SCSs. A study commissioned by the EPU argued that the former UMS had impeded the effectiveness of the State Development Offices and State Economic Planning Units in the development process. Furthermore, 'The overall standard of these civil services is lower than that of the two federal civil services—*Perkhidmatan Tadbir dan DiplomatiK* and *Perkhid-*

matan Tadbir Am. In general, state civil servants are neither so well qualified nor experienced as they do not get the same opportunities for education, training and experience.<sup>65</sup> Federalization of the SCSs through integration with the Central Service would provide such opportunities and thus strengthen these States' planning and implementation capacity. These States are too small to have their own separate SCSs and indeed 'Penang and Malacca recognised this when the professional grades of their civil services joined the PTA nearly two years ago. It is to be hoped that the old Unfederated Malay States will follow their example in the not too distant future.'<sup>66</sup>

The Central Government's federalization plan had only succeeded in capturing the SCSs of Penang and Malacca. The former UMS refused to have anything to do with it. The plan failed in these States because the Rulers, with no small encouragement from their respective SCSs, opposed it. They were fearful that if the plan were implemented their status would be reduced to that of the Rulers of the former FMS, mere figureheads with no real power, especially over appointments to top posts within the State bureaucracy. Not coincidentally, the SCSs of Penang and Malacca, States without the traditional Royal heads but with Centrally-appointed Governors, were successfully absorbed.

In the long run SCS members would have benefited materially from the integration of their Services with the Central Service, but their lack of enthusiasm for integration was not surprising since they, as a group, already enjoyed a comfortable position of high status and prestige within the States.<sup>67</sup> The 'old-time' State civil servants who belonged to the established and 'high' class within their respective States opposed the plan. They were generally non-degree holders and thus had lower paper qualifications compared to the MCS (subsequently the PTD) officers and even the MAS (subsequently the PTA) officers. They were fearful that, apart from destroying their social status and position, integration of the SCSs would place them in competitive relations with members of the Central Service which in turn would place them at a disadvantage in the competition for promotion. Their high social status and position had been preserved by a high level of social insulation as described by Gayl Ness:

There were considerable family ties throughout the bureaucracy. Brothers and sisters of officers had married other officers or their sisters. A



wide range of relatives—aunts, uncles, cousins—were in other government positions. Officers visited one another often and maintained closer ties with their narrow occupational community than they did with the variegated local communities in which they lived. Close friends and associates were in the same occupation and also tended to be fellow Malays. This pattern kept the *occupational gentry community conscious of its cohesion and its separateness*. Further, when asked if they would join the Malayan Civil Service if they were given the opportunity, most answered in the negative. They had no desire to subject themselves to out-of-State transfers and they did not wish to compete with the better educated officers of the Malayan Civil Service.<sup>68</sup>

Integration would have destroyed this comfortable and happy social position. Their high occupational position within the State depended on their already high social status but this would not necessarily apply in an integrated Civil Service where achievement criteria (examinations and education) and professionalism rather than ascriptive criteria would apply.

### Conclusion

The Constitution provided the Central Government with substantial powers which can affect State administration even in areas of the State's own competence. It also provided the framework within which Centre-State administrative relations can be conducted. The historical fragmentation of Government in Peninsular Malaysia resulted in the fragmentation of the bureaucracy. This was consequently reflected in the development of a confusing array of diverse Schemes and obscure Titles of Service.<sup>69</sup> The Reid Commission had recommended that this complex web of Centre-State Public Services be placed on a simple foundation and that attempts should be made to standardize or make uniform the Public Services. Significantly what was not achieved at Independence, and which subsequent attempts also failed to bring about, was the federalization of the bureaucracies of the former UMS so as to put them on an equal footing with those of the former FMS and SS. The status of the former UMS with their own SCSs and those States without, in the context of administration, is clearly different. The failure of Central Government attempts to eliminate differences of status means that the former UMS could potentially exercise more autonomy in their relations with the Centre.

1. R. L. Watts, *Administration in Federal Systems*, London, Hutchinson Educational Limited, 1970, p. 57.
2. *Ibid.*, pp. 66-72.
3. See *ibid.*, Chapter 6.
4. For a general discussion see *ibid.*, Chapter 3. For a discussion of this in the context of Indian Federalism see W. H. Morris-Jones, *The Government and Politics of India*, 3rd rev. ed., London, Hutchinson & Company Limited, 1971, pp. 127-43, and A. Chanda, *Indian Administration*, London, George Allen & Unwin Limited, 1958, pp. 93-139.
5. See T. Cole, 'Bureaucracy in Transition', in R. O. Tilman and T. Cole, eds., *The Nigerian Political Scene*, Durham, N.C., Duke University Press, 1962, pp. 89-114.
6. Watts, *Administration in Federal Systems*, pp. 33-43.
7. See Cole, *op. cit.*, p. 109, and Watts, *Administration in Federal Systems*, p. 42.
8. See Watts, *Administration in Federal Systems*, pp. 36-7.
9. For a general early discussion, see K. C. Wheare, *Federal Government*, 3rd ed., London, Oxford University Press, 1953, Chapter 7. See also Watts, *Administration in Federal Systems*, Chapter 7.
10. F. G. Carnell, 'Political Implications of Federalism in New States', in U. K. Hicks *et al.*, *Federalism and Economic Growth in Underdeveloped Countries*, London, George Allen & Unwin Limited, 1961, p. 55. See also A. Chanda, *Federalism in India: A Study of Union-State Relations*, London, Allen & Unwin, 1965, p. 277.
11. R. L. Watts, *New Federations: Experiments in the Commonwealth*, Oxford, Oxford University Press, 1966, pp. 219-24 and 241-7.
12. See Morris-Jones, *The Government and Politics of India*, p. 152, and also his 'From Monopoly to Competition in India's Politics', *Asian Review*, Vol. 1, No. 1, November 1967, pp. 5-6. See also I. Narain and P. C. Mathur, 'Union-State Relations in India: A Case Study of Rajasthan', *Journal of Commonwealth Political Studies*, Vol. 2, 1963-4, pp. 120-40; and R. A. Akindele, 'Federalism and Development Planning: Reflections on the Experience of India (1950-66) and Nigeria (1962-68)', *Nigerian Journal of Economic and Social Studies*, Vol. 13, No. 2, July 1972, pp. 221-39. For an examination of the case for national planning in Australia, see T. Uren, 'The Federal Principle and National Planning', *Public Administration*, Vol. 34, No. 1, March 1975, pp. 98-106, and 'Discussion on Mr. Uren's Paper', in *ibid.*, pp. 107-12.
13. Federation of Malaya, *Report of the Federation of Malaya Constitutional Commission, 1957*, Kuala Lumpur, Government Press, 1957, p. 66. Referred to subsequently as the *Reid Report*.
14. *Reid Report*, p. 67.
15. *Ibid.*, p. 68.
16. Article 131 of the Draft Constitution.
17. Article 134 of the Draft Constitution.
18. *Reid Report*, p. 68.
19. *Ibid.*, p. 69.
20. *Ibid.*, and Article 135 of the Draft Constitution.
21. *Reid Report*, p. 36, and Article 76 of the Draft Constitution.
22. *Reid Report*, p. 37.
23. Article 76(2) of the Draft Constitution.
24. Article 139 of the Constitution. With the formation of Malaysia in 1963, the

Central PSC established branches in the Borneo States. These branches have jurisdiction over members of the general Public Services of the Federation employed in the Central departments in these States. See Articles 146(1), 146(7), and 134(2).

25. R. H. Hickling, *An Introduction to the Federal Constitution*, Federation of Malaya, Information Services, 1960, p. 56.

26. Article 133 of the Constitution.

27. L. A. Sheridan, ed., *Malaya and Singapore, the Borneo Territories: The Development of Their Laws and Constitutions*, London, Stevens & Sons, 1961, p. 87. Such an agreement was for the time being preserved by Article 179.

28. Article 134 of the Constitution.

29. L. A. Sheridan and H. E. Groves, *The Constitution of Malaysia*, Dobbs Ferry, New York, Oceana Publications, 1967, p. 135.

30. Article 95E(4) of the Constitution provided the exception to Sabah and Sarawak. Agriculture and forestry are subjects on the State List. State Departments of Agriculture and Forestry in all the States, except Sabah and Sarawak, are staffed by officers of the Central Agriculture and Forestry Services.

31. Sheridan and Groves, *op. cit.*, pp. 135-6.

32. Article 98 of the Constitution.

33. Perlis (PSC (Extension of Jurisdiction)) Enactment, No. 7/58; Negeri Sembilan (PSC (Extension of Jurisdiction)) Enactment, No. 5/59; Pahang (PSC (Extension of Jurisdiction)) Enactment, No. 9/58; and State Service Commission Pahang Enactment, No. 22/60.

34. Johore State PSC Enactment, Nos. 4/59 and 11/59 and 13/60; Perak State PSC Enactment, No. 10/59; Kedah PSC State Enactment, Nos. 4/59 and 9/59; Selangor State Service Commission (Remuneration) Enactment, No. 16/59 under Article XVCII of its Constitution; Trengganu State Service Commission Enactment, Nos. 7/59 and 12/59 under Article LVI of its Constitution.

35. See Federation of Malaya, *Report of the Committee on Relationships between the Federal and State Governments*, Kuala Lumpur, Prime Minister's Department, November 1961, p. 10.

36. Other important Central Services include the Judicial and Legal Service, Agricultural Service, Audit Service, Customs Service, Education Service, Forest Service, Geological Survey Service, Medical Service, Meteorological Service, Policy Service, Postal Service, Prisons Service, Survey Service, Telecommunications Service, Town and Country Planning Service, and Veterinary Service.

37. The discussion here confines itself chiefly to the two Central Administrative Services, the PTD and PTA. Depending on the context of the discussion the abbreviations 'MCS' or 'PTD' and 'MAS' or 'PTA' will be used. This applies also for Chapters 5 and 6.

38. Esman noted that there were approximately 1,000 active schemes of service to govern approximately 212,000 employees in Peninsular Malaysia. See M. J. Esman, *Administration and Development in Malaysia: Institution Building in a Plural Society*, Ithaca, N.Y., and London, Cornell University Press, 1972, p. 72.

39. *Ibid.*

40. Originally the ICU and MAMPU were part of the Implementation, Co-ordination, Development Administration Unit (ICDAU). ICDAU was restructured to form the ICU and the Development Administration Unit (DAU). The DAU was later formed into the MAMPU.

41. Only when such States did not have suitably qualified and experienced

officers within their own SCSs for certain posts would they even contemplate accepting seconded Central officers to fill such posts within the State bureaucracies.

42. Under the 1955 Agreement for the Constitution of a Federation Establishment between the Federation and each of the eleven States, several key administrative posts within the State Establishment were scheduled as posts to be filled by Officers from the Central Establishment. These posts included that of the State Secretary, State Financial Officer, Director of Lands and Mines, Principal Assistant Secretary (Economic Officer), 5 District Officers, 2 Assistant State Secretaries, and Deputy Registrar of Titles. However, in the former UMS these posts, despite the Agreement, have always been filled by officers of the respective SCSs.

43. See Federation of Malaya, Agreements for the Constitution of a Federation Establishment, 1955 and 1957, in R. O. Tilman, *Bureaucratic Transition in Malaya*, Durham, N.C., Duke University Press, 1964, Appendix B.

44. These include the Departments of Public Works, Irrigation and Drainage, Agriculture, and Lands and Mines.

45. Esman, *op. cit.*, p. 91.

46. Peninsular Malaysia has 71 districts. For a study of a district see J. H. Beaglehole, *The District: A Study in Decentralization in West Malaysia*, Hull Mono. on Southeast Asia, No. 6, London, Oxford University Press, 1976.

47. Quoted in S. Chee, *Rural Development and Development Administration in Malaysia*, Southeast Asia Development Advisory Group, Papers on problems of development in Southeast Asia, No. 74/5, New York, The Group, 1974, p. 18.

48. *Reid Report*, paras. 66-9.

49. V. S. Winslow, 'The Public Service and Public Servants in Malaysia', in Tun Mohamed Suffian, *et al.*, eds., *The Constitution of Malaysia: Its Development, 1957-1977*, Kuala Lumpur, Oxford University Press, 1978, p. 273. See also Watts, *Administration in Federal Systems*, 1970, p. 30.

50. Discussion based on interviews with several State and Central bureaucrats, newspapers, and certain Government Service circulars. Surprisingly only Milne and Mauzy had referred, in passing at that, to such attempts at integrating the State Civil Services. See R. S. Milne and D. K. Mauzy, *Politics and Government in Malaysia*, Vancouver, University of British Columbia Press, 1978, p. 278.

51. *Straits Times*, 10 January 1958, and *Malay Mail*, 31 October 1958.

52. A former MCS officer (Superscale B). He was later to be appointed Keeper of the Rulers' Seal and subsequently appointed the first Federal Elections Commissioner. Whether this was a committee with representatives from both Central and State Governments was never revealed.

53. *Straits Times*, 10 January 1958.

54. *Standard*, 2 November 1958.

55. *Straits Times*, 11 April 1958.

56. *Ibid.*

57. *Malay Mail*, 14 April 1958.

58. *Malay Mail*, 25 May 1958.

59. *Standard*, 2 November 1958.

60. J. D. Montgomery and M. J. Esman, *Development and Administration in Malaysia: Report to the Government of Malaysia*, Kuala Lumpur, Government Press, 1966, p. 19.

61. *Ibid.*, p. 20. Emphasis added.

62. Esman, *op. cit.*, p. 95. The Malayan Home and Foreign Service (MHFS) emerged out of an amalgamation of the MCS with the Foreign Service and subsequently renamed the MADS or PTD.

63. *New Straits Times*, 1 April 1974. The Immigration, National Registration, Election Commission, Road Transport, and Manpower Services were to be included in this merger to form the GAS or PTA.

64. See Jabatan Perkhidmatan Awam, *Pekeliling Perkhidmatan, Bil. 25 Tahun 1974* (Service Circular, No. 25/1974).

65. Colin Bruce, 'Strengthening the States' Planning and Implementation System', State Rural Development Project, EPU, Prime Minister's Department, 15 January 1979, p. 6.

66. *Ibid.*, pp. 6-7.

67. Scott observed that in general 'Most Malaysian Civil Servants are in fact unwilling to take on new ventures that might jeopardise presently adequate arrangements. They prefer, for the most part, to protect their present position and status rather than to take even moderate risks that might propel them higher up the status ladder'. J. C. Scott, *Political Ideology in Malaysia: Reality and the Beliefs of an Elite*, New Haven and London, Yale University Press, 1968, p. 138.

68. G. D. Ness, *Bureaucracy and Rural Development in Malaysia: A Study of Complex Organizations in Stimulating Economic Development in New States*, Berkeley, University of California Press, 1967, pp. 160-1. Emphasis added.

69. Tilman, *Bureaucratic Transition in Malaya*, pp. 82-3.

## Centre-State Administrative Relations: Variations of Central Dominance

THIS chapter examines certain developments that have influenced Centre-State administrative relations since Malayan Independence. This involves examining the expansion in the size of the Central bureaucracy compared to that of the State bureaucracies, Malayanization and representativeness of the Malayan Civil Service, postings and withdrawals of Central officers and States' dependence on such officers, Centre-State administrative co-ordination, national development planning, and the co-ordination and implementation of development plans.

The Central Government is by far the largest single employer of public servants in Peninsular Malaysia. As Table 5.1 shows, in 1962 the Central Government employed five times the total number of monthly-salaried public employees employed by the eleven State Governments combined and by 1972 this ratio had increased to almost six times. Further, as Table 5.2 indicates, the Central Services have more than six times the number of Divisions I and III officers, three times the number of Division II officers and four times the number of Division IV officers as there are within the State Services. It also indicates that the State Services have a slightly higher distribution of Divisions I and II posts taken together compared to that of the Central Services and that the reverse is the case with regard to the distribution of Divisions III and IV posts. If States are compared to one another and to the Central, as in Table 5.3 for 1961, the distribution of posts in the various Divisions is different for each State and also for the Central. These Tables provide a general quantification of Centre State bureaucratic relations within which the Centre is dominant. More important, as discussed later, is the proportion of posts, especially those in Divisions I and II, in the State Establishments which are filled by officers of the Central Services.

TABLE 5.1  
A Comparison of the Sizes of the Central and State Bureaucracies,  
1962-1972 (monthly salaried employees)

Bureaucracy	1962		1963		1964		1965	
	No.	Per Cent <sup>1</sup>	No.	Per Cent <sup>1</sup>	No.	Per Cent <sup>1</sup>	No.	Per Cent <sup>1</sup>
<i>States</i>								
Jobore	3,600	3.6	3,949	3.8	4,045	2.8	4,138	2.9
Kedah	2,272	2.3	2,313	2.2	2,402	1.7	2,468	1.7
Kelantan	1,476	1.5	1,582	1.5	1,587	1.1	1,687	1.2
Malacca	541	0.5	556	0.5	576	0.4	587	0.4
Negri Sembilan	1,418	1.4	1,509	1.4	1,559	1.1	1,616	1.1
Pahang	1,835	1.8	1,927	1.8	2,047	1.4	2,181	1.5
Penang	977	1.0	1,015	1.0	1,021	0.7	1,049	0.7
Perak	3,608	3.6	3,804	3.6	3,929	2.8	3,980	2.8
Perlis	298	0.3	328	0.3	343	0.2	359	0.2
Selangor	2,417	2.4	2,583	2.5	2,688	1.9	2,945	2.0
Trengganu	1,337	1.3	1,446	1.4	1,503	1.1	1,570	1.1
All States <sup>2</sup>								
Total	19,779	19.8	21,012	20.0	21,700	15.2	22,580	15.7
Central	99,737		105,125		142,346 <sup>4</sup>		143,989	

(continued)

TABLE 5.1 (continued)

Bureaucracy	1966		1967		1968		1969	
	No.	Per Cent <sup>1</sup>	No.	Per Cent <sup>1</sup>	No.	Per Cent <sup>1</sup>	No.	Per Cent <sup>1</sup>
<i>States</i>								
Johore	4,201	2.5	4,359	2.5	4,411	2.5	4,450	2.5
Kedah	2,493	1.5	2,516	1.5	2,564	1.4	2,587	1.4
Kelantan	1,801	1.1	1,854	1.1	1,867	1.1	1,877	1.0
Malacca	593	0.4	786	0.5	782	0.4	789	0.4
Negri Sembilan	1,783	1.1	1,804	1.0	1,814	1.0	1,830	1.0
Pahang	2,482	1.5	2,704	1.6	2,736	1.5	2,826	1.6
Penang	1,078	0.6	1,113	0.6	1,114	0.6	1,126	0.6
Perak	4,220	2.5	4,259	2.5	4,352	2.5	4,420	2.4
Perlis	383	0.2	401	0.2	409	0.2	405	0.2
Selangor	3,146	1.9	3,262	1.9	3,341	1.9	3,385	1.9
Trengganu	1,597	1.0	1,622	0.9	1,661	0.9	1,707	0.9
All States <sup>1</sup>								
Total	23,777	14.1	24,680	14.2	25,051	14.1	25,402	14.1
Central	168,067		173,396		177,478		180,711	



Bureaucracy	1970		1971		1972	
	No.	Per Cent <sup>1</sup>	No.	Per Cent <sup>1</sup>	No.	Per Cent <sup>1</sup>
<i>States</i>						
Johore	4,519	2.2	4,595	1.9	4,678	1.8
Kedah	2,602	1.3	5,858	2.4	5,805	2.3
Kelantan	1,899	0.9	3,946	1.6	4,078	1.6
Malacca	2,599	1.3	2,723	1.1	2,728	1.1
Negri Sembilan	1,897	0.9	4,531	1.9	4,677	1.8
Pahang	2,870	1.4	2,964	1.2	3,204	1.3
Penang	1,234	0.6	3,607	1.5	3,846	1.5
Perak	4,510	2.2	4,600 <sup>2</sup>	1.9	4,692 <sup>3</sup>	1.8
Perlis	417	0.2	437	0.2	454	0.2
Selangor	3,495	1.7	5,132 <sup>3</sup>	2.1	5,415 <sup>3</sup>	2.1
Trengganu	1,784	0.9	3,481	1.4	3,719	1.5
All States <sup>4</sup>						
Total	27,826	13.6	41,874	17.3	43,296	17.0
Central	205,236		242,706		255,397	

Sources: Auditor-General, *Report on the Accounts of the States* (for each Peninsular Malaysia State), Kuala Lumpur, Government Press, annually, 1962-72; Auditor-General, *Report on the Accounts of the Federation*, Kuala Lumpur, Government Press, annually, 1962-72.

<sup>1</sup>Size as a percentage of size of Central Bureaucracy.

<sup>2</sup>Sharp increase due to the inclusion of Sabah, Sarawak, and Singapore civil servants, 1964. After 1965 Singapore civil servants are excluded.

<sup>3</sup>Estimated figures.

*Malayanization and the Representativeness  
of the MCS*

Several developments since Malayan Independence have influenced Centre-State administrative relations, Malayanization of the MCS being one. Malayanization of the Public Services was first mooted in 1954 by the first Malayanization Committee.<sup>1</sup> The Malaya Constitutional Conference of February 1956 recommended, *inter alia*, that Malayanization of the Public Services should be speeded up. The second Malayanization Committee<sup>2</sup> endorsed this. The MCS was included in this accelerated Malayanization plan. Before Malayan Independence the MCS was staffed almost entirely by Europeans and although officers of the Malay Administrative Service could be promoted into the MCS, the rate of such promotion was agonizingly slow. Malayanization would thus increase this rate and also provide opportunities for State Civil Service officers to apply for MCS posts. The Malayanization Committee of 1956 reported that already 'four-fifth [*sic*] of the Malayan officers in the federal bureaucracy now entered by promotion from the MAS and State and Settlement Civil Services'.<sup>3</sup>

The MCS was considered an All-Malaya Central Service in terms of recruitment and postings. Historically MCS officers served in the Central Government and in all the States of the Peninsula.<sup>4</sup> They were, however, unevenly spread amongst the States and consequently their influence in the States was uneven. Since Independence MCS officers have increasingly been recruited from all the States and they have continued to be liable to postings to any State of the Federation but the number of MCS officers holding State posts has varied from one State to another. The MAS in comparison had less claim to being an All-Malaya Central Service although its members were recruited by the Central Government. Historically it was a Service only of the FMS. It was also a feeder Service to the MCS. Its members, then recruited only from among those who were from or educated in these States especially before the Second World War, were generally posted only within the State from which they were recruited.<sup>5</sup>

The rapid promotion of MAS officers into the MCS was used to achieve Malayanization. The SCS officers of the former UMS and SS could also apply for appointment to the MCS. The former method was a natural progression of MAS officers into the MCS

because MAS was a feeder Service. However, the latter method was not similarly 'natural' because the SCSs were not, in the same sense, feeder Services. There were thus competing claimants, with diverse service backgrounds, to the benefits of Malayanization. This competition created problems, at which the Malayanization Committee hinted when it reported that 'An official Committee has been appointed to report on relations, including recruitment, between the Malayan Civil Service and the Malay Administrative Service and State and Settlement Civil Services and the Chinese Civil Services'.<sup>6</sup>

The senior MAS officers, primarily those recruited from and serving in the former FMS, benefited most from the rapid process of Malayanization. Not surprisingly the MCS became permeated with officers whose background and experience had been gained from service in the MAS. Table 5.4 illustrates the preponderance of former MAS officers within the MCS. The number and percentage of such officers within the MCS had increased from 89 and 26.3 per cent in 1957 to 143 and 45.4 per cent in 1964. Although the total number of such officers within the MCS had increased by 1975, their percentage of the total number of MCS officers had been declining since 1964. In comparison, the number of former SCS officers within the MCS increased from 30 in 1957 to 85 in 1966 and since then had fluctuated. The percentages of these officers within the MCS increased from 8.9 per cent in 1957 to 21 per cent in 1966 and thereafter declined. With the exceptions of 1966 and 1971, the proportion of former SCS officers within the MCS was less than half, and sometimes less than a third, that of the MAS. Table 5.4 also indicates the differential recruitment from the SCSs of the individual States of the former UMS and SS.

The dominance of the former MAS officers within the Malayanized MCS was more emphatic if one considers the percentage of senior MCS posts that such officers then held. As Table 5.5 indicates, as Malayanization progressed the percentage of Europeans holding senior MCS posts fell from 82.6 in 1957 to zero in 1967 while the percentage of direct entry Malaysians holding such posts increased from zero in 1957 to 41.4 in 1971. The percentage of former MAS officers holding such posts increased from 17.4 in 1957 to 64.6 in 1963 but declined thereafter to 40.3 in 1971 while that of the former SCS officers increased from zero in 1957 to 27.2 in 1966 and thereafter declined to 18.3 in 1971. Table 5.5 also indicates the differential rate of recruitment from the SCSs of the former

TABLE 5.4  
 Malaysian Civil Service Officers who were Members of Either the State Civil Services or the  
 Malay Administrative Service Before Their Appointments to the Malaysian Civil Service, 1957-1978<sup>1</sup>

Year	Total Officers	Malay Administrative Service		Johore Civil Service		Kedah Civil Service		Kelantan Civil Service		Perlis Civil Service	
		No.	Per Cent	No.	Per Cent	No.	Per Cent	No.	Per Cent	No.	Per Cent
1957	339	89	26.3	16	4.7	5	1.5	4	1.2	-	-
1958	287	81	28.2	15	5.2	5	1.5	5	1.7	-	-
1959	300	93	31.0	20	6.7	6	2.0	3	1.0	1	0.3
1960	291	101	37.5	19	6.5	7	2.4	4	1.4	1	0.3
1961	291	114	39.2	20	6.9	6	2.1	5	1.7	1	0.3
1962	283	116	41.0	21	7.4	5	1.8	7	2.5	1	0.4
1963	293	131	45.0	21	7.5	7	2.4	8	2.7	1	0.3
1964	315	143	45.4	27	8.6	7	2.2	11	3.5	1	0.3
1966	404	158	39.1	30	7.4	18	4.5	15	3.7	1	0.2
1967	445	160	36.0	28	6.3	17	3.8	15	3.1	1	0.2
1968	474	169	35.7	28	5.9	18	3.8	13	2.7	1	0.2
1969	n.a.	153	n.a.	25	n.a.	17	n.a.	13	n.a.	1	n.a.
1970	n.a.	139	n.a.	22	n.a.	17	n.a.	11	n.a.	1	n.a.
1971	648	132	19.3	19	2.8	17	2.5	12	1.8	1	0.1
1973	984	246	25.0	24	2.4	19	1.9	13	1.3	2	0.2
1974	1,196	255	21.0	22	1.8	21	1.8	15	1.3	2	0.2
1975	1,319	285	21.5	21	1.6	20	1.5	10	0.8	2	0.2
1978	1,574	278	17.7	12	0.8	20	1.3	10	0.6	-	-

Year	Total Officers		Trengganu Civil Service		Malacca Civil Service		Penang Civil Service		Settlement Civil Service		States' Civil Services	
	No.	Per Cent	No.	Per Cent	No.	Per Cent	No.	Per Cent	No.	Per Cent	Total	Per Cent
1957	339		2	0.6	-	-	-	-	3	0.9	30	8.9
1958	287		2	0.7	-	-	-	-	3	1.0	30	10.2
1959	300		3	1.0	1	0.3	1	0.3	-	-	35	11.6
1960	291		5	1.7	1	0.3	1	0.3	1	0.3	39	13.2
1961	291		6	2.1	1	0.3	1	0.3	2	0.7	42	14.4
1962	283		5	1.8	2	0.7	1	0.4	1	0.3	44	15.7
1963	293		6	2.0	2	0.7	1	0.3	1	0.3	47	16.2
1964	315		11	3.5	2	0.6	2	0.6	2	0.6	63	19.9
1966	404		13	3.2	4	1.0	4	1.0	-	-	85	21.0
1967	445		14	3.1	3	0.7	3	0.7	-	-	81	17.9
1968	474		13	2.7	4	0.8	2	0.4	-	-	79 <sup>2</sup>	16.7
1969	n.a.		13	n.a.	4	n.a.	2	n.a.	-	-	75 <sup>2</sup>	n.a.
1970	n.a.		13	n.a.	2	n.a.	3	n.a.	-	-	69 <sup>2</sup>	n.a.
1971	648		13	1.9	4	0.6	3	0.4	-	-	69 <sup>2</sup>	10.1
1973	984		16	1.6	5	0.5	4	0.4	-	-	83 <sup>2</sup>	8.3
1974	1,196		16	1.3	5	0.4	4	0.3	-	-	85 <sup>2</sup>	7.1
1975	1,319		18	1.4	3	0.2	3	0.2	-	-	77 <sup>2</sup>	5.9
1978	1,574		16	1.0	3	0.2	3	0.2	-	-	64 <sup>2</sup>	4.1

Sources: Calculated from Federation of Malaya, *Staff List*, Kuala Lumpur, Government Press, annually, 1957-63; Federation of Malaysia, *Staff List*, Kuala Lumpur, Government Press, annually, 1964-78.

Note: n.a.—not available.

<sup>1</sup>Figures for 1965, 1972, 1976, and 1977 not available.

<sup>2</sup>Includes only the Home Service component of the Malayan Civil Service.

TABLE 5.5

Senior Malayan Civil Service Posts (Superscale H to Staff Appointments) Held by Officers Who Entered the Malayan Civil Service Directly and Those Who Were Members of Either the Malay Administrative Service or Their Respective State Civil Services, 1957-1971 (percentages)

Year	Total	Direct Entry		From Malay		From State Civil Services								
		European	Malayan	Administrative	Service	Johore	Kedah	Kelantan	Perlis	Trengganu	Malacca	Penang	Settlement	Total
1957	100	82.6	-	-	17.4	-	-	-	-	-	-	-	-	-
1958	100	73.6	1.2	-	24.1	-	-	1.1	-	-	-	-	-	1.1
1959	100	70.3	1.1	-	26.4	1.1	-	1.1	-	-	-	-	-	2.2
1960	100	53.4	2.3	-	38.6	3.4	-	1.1	-	-	-	-	1.1	5.6
1961	100	46.3	5.0	-	40.0	3.8	1.3	1.3	-	-	-	-	2.5	8.9
1962	100	29.3	5.3	-	56.0	5.3	1.3	1.3	-	-	-	-	1.3	9.2
1963	100	12.7	6.3	-	64.6	8.9	2.5	2.5	-	1.3	-	-	1.3	16.5
1964	100	7.5	13.8	-	62.5	8.8	2.5	2.5	-	-	-	-	2.5	16.3
1965	Not Available.													
1966	100	1.5	25.2	-	46.7	13.3	3.7	4.4	-	2.9	2.2	-	0.7	27.2
1967	100	-	30.3	-	46.7	10.9	3.0	3.6	0.6	2.4	1.2	1.2	-	22.9
1968	100	-	36.5	-	43.9	9.5	3.2	2.6	0.5	2.1	1.1	0.5	-	19.5
1969	100	-	37.4	-	43.4	9.4	2.8	2.7	0.5	2.2	1.1	0.5	-	19.2
1970	100	-	39.1	-	41.7	8.1	3.0	2.1	0.4	4.3	0.8	0.4	-	19.1
1971	100	-	41.4	-	40.3	6.9	2.3	3.4	0.4	3.4	1.1	0.8	-	18.3

Sources: Calculated from Federation of Malaya, *Staff List*, Kuala Lumpur, Government Press, annually, 1957-63; Federation of Malaysia, *Staff List*, Kuala Lumpur, Government Press, annually, 1964-71.

UMS and SS during the Malayanization process. Consequently the percentages for each of these States differ. The declining percentages for former MAS and SCS officers since 1963 and 1966 respectively was due to the dramatic increase of Malayan officers who entered the MCS directly in tandem with the rapid decline of the European element. Despite this, former MAS officers still held the most senior posts within the MCS, as Table 5.6 reveals for 1971, indicating a tendency towards the geographical unrepresentativeness of the MCS. This was due specially to the differential rate of recruitment from the MAS and SCSs. Malayanization, nevertheless, resulted in a rapid change in the composition and character of the MCS within which former MAS officers were dominant.

There is no quota for each State of Peninsular Malaysia in the Central Service. It would be reasonable, because of different population sizes, levels of education and development, to expect an imbalance in States' representation within the Central Service. Table 5.7 illustrates this among the higher civil servants in the Central Civil Service. With the exception of Pahang, the more-developed former FMS and SS States (in terms of Gross Domestic Product) are over-represented. The generally less-developed former UMS are generally underrepresented. The existence of the SCS within each of these States partly explains this underrepresentation. When the numbers include both the Central and State Civil Services, as in Table 5.8, the former UMS have significantly higher representation compared to the picture in Table 5.7. Within the MCS also, as Table 5.9 shows, the generally more-developed former FMS and SS States are better represented, with the exception of Selangor and Malacca, compared to the generally less-developed former UMS.

The imbalance in States' representation within the Central Civil Service is as yet, according to Puthuchery, 'not alarming nor has it become a major political issue'.<sup>7</sup> It is the strength of State loyalties, she believed, that could politicize the issue although 'in the former Unfederated Malay States of Johore, Kedah, Trengganu and Kelantan, there appear to be strong feelings of identification and "belongingness" to one's home State'.<sup>8</sup> Despite these loyalties the issue has not been politicized. These loyalties could be conveniently channelled and expressed through their own SCSs and the failure of the Central Government's plans to federalize the SCSs attested to the strength of such loyalties. Thus these States were

TABLE 5-6  
 Number of Senior Malayan Civil Service Posts in Terms of Grades Held by Former Malay Administrative Service  
 and State Civil Service Officers Compared to That Held by Direct Entry Officers, 1971

Grade	Total	Direct Entry	From Malay Administrative Service	From State Civil Services						Total		
				Johore	Kedah	Kelantan	Perlis	Trengganu	Malacca		Penang	Settlement
1. Staff												
Appointment	3	-	3	-	-	-	-	-	-	-	-	-
2. A	4	-	4	-	-	-	-	-	-	-	-	-
3. B	11	3	7	-	-	-	-	1	-	-	-	1
4. C	12	1	6	3	1	1	-	-	-	-	-	5
5. D	36	17	11	6	2	-	-	-	-	-	-	8
6. E	1	1	-	-	-	-	-	-	-	-	-	-
7. F	58	29	17	3	1	3	1	2	1	1	1	13
8. G	12	6	6	-	-	-	-	-	-	-	-	-
9. H	126	52	52	6	2	5	-	7	1	1	1	22
Total	263	109	106	18	6	9	1	9	3	2	1	49

Source: Federation of Malaysia, *Staff List 1971*, Kuala Lumpur, Government Press, 1971.



TABLE 5.7

Representation of States among Higher Civil Servants in the Central Civil Service Compared to Their Population and Gross Domestic Product Proportion

States	Population Proportion (%)	Civil Service Proportion (%)	Differential		State GDP <sup>a</sup> as a Proportion of the Malaysian Average (1970)	
				Rank		Rank
<i>Former FMS</i>						
Negeri Sembilan	5.5	13.2	+7.7	1	0.99	2
Perak	17.8	24.3	+6.5	2	0.99	2
Selangor	18.5	22.7	+4.2	3	1.63	1
Pahang	5.7	4.7	-1.0	7	0.98	5
<i>Former</i>						
<i>Straits Settlements</i>						
Penang	8.8	11.1	+2.3	4	0.99	2
Malacca	4.6	5.5	+0.9	5	0.80	7
<i>Former UMS</i>						
Perlis	1.4	0.5	-0.9	6	0.67	8
Trengganu	4.6	1.1	-3.5	8	0.60	10
Kelantan	7.7	3.6	-4.1	9	0.47	11
Kedah	10.9	5.8	-5.1	10	0.67	8
Johore	14.5	7.1	-7.4	11	0.91	6

Source: Syed Haroon bin Mohd. Aljunied, 'Social Background and Representation in the Higher Civil Service in Malaysia and Singapore', MA thesis, University of Malaya, 1974, p. 169, Table 8.1; Federation of Malaysia, *Second Malaysia Plan, 1971-1975*, Kuala Lumpur, Government Press, 1971, p. 18.

<sup>a</sup>State GDP as an indicator of wealth and development.

TABLE 5.8  
Representation of States in Division I of the Central and State Civil Services Compared to Their Population  
Proportion and Gross Domestic Product Proportion

States	Population Proportion, 1970 (%)	Civil Service Proportion (%)	Differential		State GDP as a Proportion of the Malaysian Average (1970)	
				Rank		Rank
<i>Former FMS</i>						
Negeri Sembilan	4.6	9.7	+5.1	1	0.99	2
Perak	15.0	18.6	+3.6	2	0.99	2
Selangor	15.6	12.2	-3.4	11	1.63	1
Pahang	4.8	6.7	+1.9	4	0.98	5
<i>Former</i>						
<i>Straits Settlements</i>						
Penang	7.4	7.3	-0.1	9	0.99	2
Malacca	3.9	5.4	+1.5	5	0.80	7
<i>Former UMS</i>						
Perlis	1.2	1.0	-0.2	10	0.67	8
Trengganu	3.9	5.1	+1.2	6	0.60	10
Kelantan	6.5	7.1	+0.6	7	0.47	11
Kedah	9.2	11.2	+2.0	3	0.67	8
Johore	12.2	12.5	+0.3	8	0.91	6
Total	84.3 <sup>1</sup>	96.8 <sup>1</sup>				

Sources: M. Puthucherry, *The Politics of Administration: The Malaysian Experience*, Kuala Lumpur, Oxford University Press, 1978, p. 77; Federation of Malaysia, *Second Malaysia Plan, 1971-1975*, Kuala Lumpur, Government Press, 1971, p. 18.

<sup>1</sup>Total does not add up to 100 as figures for East Malaysia and Foreign Service are excluded.

TABLE 5.9  
Representation of States within the Malaysian Civil Service Compared to Their Population Proportion  
and Gross Domestic Product Proportion

States	Population Proportion (%)	Malaysian Civil Service Proportion (%)	Differential		State GDP as a Proportion of Malaysian Average (1970)	Rank
				Rank		
<i>Former FMS</i>						
Negri Sembilan	5.5	16.3	+ 10.8	2	0.99	2
Perak	17.8	28.8	+ 11.0	1	0.99	2
Selangor	18.5	10.0	- 8.5	11	1.63	1
Pahang	5.7	7.5	+ 2.2	3	0.98	5
<i>Former</i>						
<i>Straits Settlements</i>						
Penang	8.8	8.8	0.0	4	0.99	2
Malacca	4.6	2.5	- 2.5	7	0.80	7
<i>Former UMS</i>						
Perlis	1.4	0.0	- 1.4	5	0.67	8
Trengganu	4.6	0.0	- 4.6	10	0.60	10
Kelantan	7.7	5.0	- 2.7	9	0.47	11
Kedah	10.9	8.8	- 2.1	7	0.67	8
Johore	14.5	12.5	- 2.0	6	0.91	6

Sources: Syed Haroon bin Mohd. Aljunied, 'Social Background and Representation in the Higher Civil Service in Malaysia and Singapore', MA thesis, University of Malaya, 1974, p. 173, Table 8.3; Federation of Malaysia, *Second Malaysia Plan, 1971-1975*, Kuala Lumpur, Government Press, 1971, p. 18.

specially concerned not about the imbalance in States' representation within the Central Civil Service but the ever-increasing attempts by the Central Government and its officers to penetrate the State administration. The States' anxiety over this was reflected in their opposition to the Central Government's federalization plans and apprehension over Central officers serving at the State level, as the case of Kedah will demonstrate.

The persistent preoccupation with ethnic considerations has also tended to blur the significance of issues like State representation. A quota system, sanctioned by Article 153(2) and (3) of the Constitution, regulating the recruitment of both Malay and non-Malay citizens into the Central Services, reflected this ethnic preoccupation. This issue of ethnic representation within the Central Services has remained a continuing source of friction between the Malay and non-Malay political leaders.

### *Postings and Withdrawals of Central Officers in the States and States' Dependence on Such Officers*

The placing of officers of the Central Establishment within a State, in the State departments or State branches of Central departments, is governed by agreements between the Central Government and each of the State Governments individually.<sup>9</sup> Posts within the State departments are borne on the State Estimates and those within the State branches of Central departments are borne on the Central Estimates. Before Independence the placing of Central officers was governed by Clauses 11 and 7 of the State Agreements that were attached to the Federation Agreement of 1948.<sup>10</sup> Clause 11 required prior consultation with the State's Ruler before Central officers were posted to State posts borne on the State Estimates. Clause 7 governed the posting of Central officers to Central posts within the State and borne on the Central Estimates. In this case the State's Ruler must accept such officers 'of the Federal Government as that Government may require and to permit such officers to exercise such lawful authority and powers and to perform such lawful functions as may be necessary to the purposes of the Federal Government'.<sup>11</sup> However, there should be prior consultation if such officers were posted as Heads of Department or to the town in which the Ruler resided. The procedures governing withdrawal of such Central officers from the States were formulated only in 1955.<sup>12</sup> Thus, before any such

officer was withdrawn the State Government concerned should be consulted. The withdrawal of any other Central officer from the State required only prior notice of transfer.

These procedures, used well into Malayan Independence, were by 1974 considered inappropriate<sup>13</sup> because they had caused several problems for the Central and State Governments concerned. As a result, the Central officers concerned found that their placement could not be smoothly arranged and their status and position appeared uncertain. New procedures were agreed upon by the Central and State Governments and introduced to replace the 1950 and 1955 procedures. Thus, when a vacancy occurs in the post of Head of a State branch of a Central Department, which according to the Establishment Agreement (*Perjanjian Perjawatan*) should be filled by a Central officer, then the relevant Central Department Head has to recommend the Central officer to the State Government through the State Secretary at least two weeks before the posting takes effect. This procedure also applies to the posting of Central officers as District Officers or to senior posts in the State departments. Central Government recommendations to fill such posts have to be accepted by the State Government concerned. If it has any doubt about the Central officers' suitability or acceptability, it could submit these recommendations to the State Ruler or Governor for final appointment. The approval of State Governments is not required for the posting of Timescale (lowest salary scale in Division I) Central officers to posts in the State departments. Only the withdrawals of Central officers who are Heads of State departments require referral to the State Government concerned. The posting of Central officers to State branches of Central Departments need not be referred to the State Government concerned. However, the State Government concerned should be notified at least two weeks before the postings of Central officers as Heads of such departments become effective. Such postings must be accepted unless it can be proved that the officer or officers had a criminal record or are unacceptable because of other justifiable reasons.

All the States of Peninsular Malaysia depend on seconded officers of the Central Technical and Professional Services to fill the top posts in the State technical departments. The former UMS have their own autonomous SCSs whose officers fill the administrative and district office posts in their respective States. However, the former FMS and (after 1974) SS, without their own

autonomous SCSs, depended on seconded MCS and then PTD officers to fill similar administrative posts in each State. The distribution of or dependence on MCS officers among the States, as Table 5.10 shows for the 1958-75 period, was very uneven and was highest in the former FMS, followed by the former SS, and lowest in the former UMS. While the numbers gradually increased in the former FMS and SS, those in the former UMS declined, even to zero in the case of Kedah since 1971.

Despite the new procedures the question of the posting and withdrawing of Central officers has been a continuing source of friction in Centre-State relations. This centres on the different meanings given to terms like 'suitability' or 'acceptability'. To the States, 'suitability' or 'acceptability' refers to the Central officers' commitment to State interests. To the Centre, the terms refer essentially to its officers' professional qualities. Not surprisingly Central officers' commitment to State interests have been emphasized by the former FMS which do not have their own SCSs. In Selangor, for example, Central officers were frequently urged by the Ruler to accept and carry out the State Government's instructions given to them.<sup>14</sup> Perhaps to ensure the Central officers' commitment to State interests, especially in the case of those appointed to the senior administrative posts, these States have sometimes insisted on the appointment of Central officers who are from the State concerned.<sup>15</sup>

The continuity of service of Central officers within State administration is not guaranteed: once posted to the State administration they do not become permanent State officers who will serve out their career within the State. As is normal within the Central Service, officers of the MCS (or now the PTD), for example, are frequently withdrawn from one State and placed on promotion in another or in a Ministry at Kuala Lumpur. The turnover of Central officers holding key administrative posts in the State administration of the former FMS and SS tends to be uncomfortably fast. In Perak, for example, on one of the rare occasions when anxiety over the effects of such rapid turnover was publicly aired, Ismail Daud, an Alliance Assemblyman, complained that such frequent transfers of experienced officers would be detrimental to the State administration.<sup>16</sup> He suggested that Perak should have its own State Civil Service to prevent such brain drain from the State. Datuk Sri Hj. Kamaruddin, the Menteri Besar, replied that Government officers were transferred because their experience and

TABLE 5-10  
Number of Malayan Civil Service Officers Posted to Posts within the State Administration of Each State,  
1958-1975

Year	Former UMS						Former FMS						Total Number of Officers											
	Johore		Kedah		Kelantan		Perlis		Trengganu		Negri Sembilan			Pahang		Perak		Selangor		Malacca		Penang		
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%		No.	%	No.	%	No.	%	No.	%	No.	%	No.
1958	8	5	5	3	6	4	3	2	7	5	18	12	21	14	37	25	26	17	9	6	10	9	150	
1959	7	5	4	3	5	4	3	2	6	4	16	12	20	14	36	26	26	19	6	4	9	7	138	
1960	7	5	4	3	4	3	3	2	6	4	16	12	20	14	36	26	26	19	6	4	9	7	137	
1961	7	5	4	3	4	3	3	2	6	4	16	12	20	14	36	26	27	19	6	4	9	7	140	
1962	7	5	2	1	4	3	3	2	6	4	16	12	20	15	36	26	27	20	6	4	9	7	136	
1963	7	5	2	1	4	3	3	2	6	4	18	13	20	14	36	26	28	20	7	5	10	7	141	
1964	7	5	2	1	4	3	3	2	6	4	17	12	20	14	36	26	28	20	7	5	10	7	140	
1965	Not Available.																							
1966	7	5	2	1	4	3	4	3	6	4	17	12	23	16	36	25	27	19	7	5	10	7	143	
1967	7	5	2	1	4	3	4	3	2	1	17	12	23	16	37	26	28	20	7	5	10	7	141	
1968	7	5	2	1	4	3	3	2	2	1	17	12	23	16	37	26	28	20	7	5	10	7	140	
1969	7	5	2	1	4	3	2	1	2	1	17	12	23	16	37	26	28	20	7	5	11	8	141	
1970	7	5	2	1	4	3	2	1	2	1	17	12	23	16	37	26	28	20	7	5	11	8	141	
1971	7	5	-	-	4	3	2	1	1	1	16	11	24	17	39	28	28	20	7	5	11	8	141	
1972	7	5	-	-	2	1	1	1	1	1	16	11	26	17	38	27	28	20	9	6	11	8	139	
1973	6	4	-	-	4	3	1	1	1	1	17	11	30	19	41	26	35	22	11	7	11	7	157	
1974	1	1	-	-	2	1	-	-	1	1	21	12	32	19	45	26	38	22	13	8	18	11	171	
1975	1	1	-	-	3	2	1	1	1	1	21	12	28	16	45	26	37	22	11	6	23	13	171	

Sources: Federation of Malaya, *Staff List*, Kuala Lumpur, Government Press, annually, 1958-63; Federation of Malaysia, *Staff List*, Kuala Lumpur, Government Press, annually, 1964-75.

knowledge were required in Ministries and other Government departments and that they, 'on receiving promotion, must also be given postings suitable to their new positions'.<sup>17</sup> This only confirms the belief that the federalized bureaucracies of the former FMS and SS are but parts, indeed minor adjuncts, of the Central bureaucracy.

Generally each of the non-federalized bureaucracies of the former UMS, because they have their own SCSs, is able to develop its own core of State Government officers. These officers would, in most cases, serve out their careers within the State. These States are therefore able to ensure a much higher level of stability and continuity, especially among the key administrative personnel, within the State administration. SCS officers do feel that they belong to a State organization which is separate and different from and autonomous of the Central organization. PTD officers who are sometimes posted to these States are also subject to the tests of 'suitability' or 'acceptability'. This apart, the source of the strain in Centre-State relations in this case is the posting of Central officers itself to these States. State Governments and SCS officers tend to view the postings of such officers as symbols of Central intrusion and as Central Government representatives their commitment to the State is sometimes considered suspect, indifferent, or neutral at best. Apart from the need to make their life tolerable and keep a clean service record in the State, these officers are in a sense autonomous for they depend totally on their Central organization (PTD) for support, status, prestige and, perhaps most importantly, upward mobility. Ideally then, they would prefer a short stay in the State and then a swift transfer to Kuala Lumpur. SCS officers are also envious of, and sometimes extremely annoyed over, the much better opportunities available to these Central officers with regard to holding higher-scale posts and quick promotion to such posts.

The above resentment is not confined only to State civil servants. Politicians also harbour similar resentment. Not surprisingly the former UMS have to be constantly reminded and persuaded of the necessity to accept Central officers. As an example, the Menteri Besar of Perlis, Tan Sri Sheikh Ahmad Mohd. Hashim, during a debate in the Perlis State Legislative Assembly, urged Assemblymen to think rationally on the question of the recruitment of non-Perlis subjects to the State Civil Service and to 'set a good example by accepting Government officers sent by the Central Government'.<sup>18</sup> He stated that in the past several Assemblymen had



objected to non-Perlis subjects being posted to the State Civil Service and State scholarships being awarded to students from other States.

The need for Central officers to serve at the State level has increased simultaneously with the need to implement efficiently both the Central and State (largely Centre-financed) development plans. The implementation of such plans requires the co-operation of the various State administrations, and misgivings about their capacity have been expressed—usually attributed to staff shortages or the low efficiency and motivation of State civil servants. The Central Government recognized that the problem was caused partly by the lack or low level of expertise among the State civil servants in the less-developed States which, not coincidentally, belong to the former UMS with their own SCSs, and partly by the lack of proper co-ordination between Central and State officers. To overcome this the Central Government, according to Tan Sri Chong Hon Nyan, then Minister without Portfolio, undertook to send additional experts to these States under the Third Malaysia Plan. Central and State officers were also urged to work closely to ensure maximum success in the implementation of development projects.<sup>19</sup> An editorial, without naming the States but probably implying the former UMS, placed the blame squarely on State civil servants, poignantly asking, 'How do we get state civil servants to move faster, to expedite procedures in such vital development spheres as land and licences? Delays of up to five years in land matters are not unknown; and such delays must certainly work to the detriment of our overall development effort.'<sup>20</sup> This underlines the importance of the States' role in the implementation of development plans. The editorial was in no doubt that the need was to reform or streamline State administration, including the SCSs, so as to bring about improvements in organization, efficiency, and motivation.

Tengku Noor Aishah binti Tengku Ahmad, an MP from Kelantan, claimed, however, that the implementation of development projects during the First and Second Malaysia Plans was delayed because Central officers with responsibility over development at the State level were too young and inexperienced to make decisions.<sup>21</sup> She suggested that suitably qualified, experienced, and senior Central officers should be sent to States to co-ordinate the development programmes and hence facilitate orderly Centre-State relations. Tan Sri Chong Hon Nyan replied that the majority of Central

administrative and professional officers posted to States had adequate experience at ministerial and departmental levels.<sup>22</sup> Furthermore, they were chosen for their integrity, suitability, efficiency, and capability to implement projects under the development plan. Although sometimes junior and inexperienced officers were posted to States they usually were placed under senior and capable department heads and issued with adequate and proper guide-lines.

Such Central officers holding posts in the State Establishments are under terms and conditions of service determined by the Central Government. Certain questions arise. Who has jurisdictional responsibility over these officers, for example, in matters of discipline? To what extent can these officers be made to comply with State wishes? These officers are subjected to different, sometimes conflicting, pulls. As Central officers they are subject to the Central PSC. However, it might be thought appropriate that Central officers serving in State capacities and in executing their State duties should be subject to their respective State PSC. Some State officials have taken this view. Tilman believed that 'Despite often repeated denials by federal officials, it seems probable that a jurisdictional clash will eventually arise though the traditional urge to avoid such confrontations of extremes may postpone it until a crucial issue forces the question'.<sup>23</sup> The jurisdictional issue remains a potential source of Centre-State tension.

States' dependence on Central officers could also be another way of saying that the State bureaucracies are penetrated or infiltrated by such officers. Thus, the greater the dependence the deeper the penetration or infiltration. Enloe has no doubt that 'State bureaucracies are "infiltrated" by federally seconded civil servants; these persons may have served in State capacities, but their careers depend on evaluations made in their respective Kuala Lumpur Ministries, making them especially sensitive to federal rather than State policy needs'.<sup>24</sup> However, as indicated earlier, this penetration is uneven among the States. The resistance to Central penetration or infiltration is epitomized, as discussed in Chapter 6, by Kedah's unrelenting opposition to Centre-initiated administrative changes including the federalization plans. The States' dependence on Central officers would tend to compromise their autonomy, especially as these officers naturally look to the Central Government for protection, among other things.<sup>25</sup>

*Centre-State Administrative Co-ordination*

The mechanisms or institutions to handle Centre-State administrative co-ordination were not provided for by the Constitution. Immediately after Malayan Independence both the Central and State leadership realized that such means were necessary. A meeting of Central Ministers and Assistant Ministers on 11 January 1961 decided that the Permanent Secretary in the Prime Minister's Department should look into the question of the proper co-ordination between Ministries. After several meetings between the Permanent Secretary and the then Deputy Prime Minister, Tun Abdul Razak, it was agreed that

... a Committee should be set up to look into the whole question of relationships between the Federal and State Governments with a view to making recommendations, wherever possible, for their improvement and for a closer co-operation between the Federal and State Governments on the most effective and efficient means of executing the Second Development Plan.<sup>26</sup>

Accordingly, the Committee on Relationships between the Federal and State Governments was constituted 'To examine the present set-up of the Government with particular reference to the relationship between the Federation and State Governments and to make recommendations for further improvement in such relationship'.<sup>27</sup> The Committee was chaired by the Permanent Secretary (now called the Chief Secretary to the Government or the Ketua Setiausaha Negara) and its other members were senior Central civil servants. Its first three meetings examined the problems and difficulties experienced by the Central Ministries in their dealings with State Governments. Its fourth meeting, with the participation of States' representatives, examined the problems and difficulties experienced by the State Governments in their dealings with the Central Government.

The problems affecting Centre-State administrative relations were both complex and delicate.<sup>28</sup> The Committee felt that these were of a continuing and dynamic nature, requiring constant vigilance and a great deal of tact and close investigation. Central and State representatives unanimously agreed that these problems could best be tackled through regular interpersonal contact between Central and State officials. The Committee therefore recommended that it should become a Standing Committee on Relationships, meeting at least once in six months. This recom-

mentation was discussed in the early 1960s during the Centre-State Heads of Governments Meeting, usually referred to as the 'PM/MBs/CMs Conference'. This meeting agreed that a permanent Federal-State Committee, now called the Federal-State Liaison Committee (FSLC), should be established.<sup>29</sup> This Committee meets at least once in three months and the meetings are usually held in the different States in rotation.

The Ketua Setiausaha Negara is chairman of the FSLC. Its permanent members include all the State Secretaries or their representatives. Sometimes Directors-General of Ministries are invited to participate in its deliberations if the agenda covers the responsibilities of the particular Ministries. It thus comprises members from different organizational and bureaucratic traditions. The Ketua Setiausaha Negara, Directors-General, and State Secretaries of States with federalized bureaucracies are PTD officers. However, the State Secretaries of States with non-federalized bureaucracies belong to their respective SCSs.

The FSLC's frame of reference is comprehensive: all Centre-State administrative matters. These may include, for example, the implementation of development plans and local government. At its meetings decisions are made through *musjawarah* or consensus. Such decisions, however, are only recommendations and State representatives are not obliged to implement them at the State level. Herein lies one of the weaknesses of the Committee and a source of conflict within it. Difficult problems and sensitive issues are usually referred to the next tier, the PM/MBs/CMs Conference. In such cases the FSLC prepares working papers for discussion and perhaps decision.

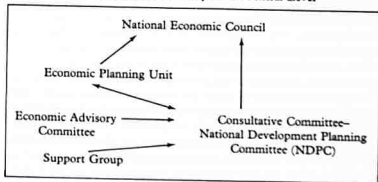
The usefulness of the FSLC is debatable to say the least. It provides a convenient arena for discussing Centre-State administrative matters and preparing the ground, so to speak, for the much more important and politically powerful PM/MBs/CMs Conferences. In fact it functions as a filtering device in the hierarchy of Centre-State co-operation and co-ordination. Apart from the PM/MBs/CMs Conferences, the NFC and NLC were, and remain, more important than the FSLC as Centre-State co-ordinating bodies. These Centre-State Councils are constitutionally provided for and, most significantly, they bring together the political heads, or their representatives, of the Central and State Governments.

*National Development Planning and the  
Administrative Machinery for the Co-ordination  
and Implementation of Development Plans*

The Central Government is provided with considerable constitutional powers to undertake national development planning in the national interest.<sup>30</sup> While the Constitution does not provide for the establishment of a Centre-State planning body, the Central Government can exercise wide-ranging powers in national development planning but only on the recommendation of an expert committee and after consultations with the NFC and NLC and the State Government concerned. Since Independence the Central Government has embarked on national development planning, essentially through the national five-year plans. The Central Cabinet, through its Economic Committee, now called the National Economic Council (NEC), is ultimately responsible for such planning. This Committee includes the Prime Minister as chairman, Deputy Prime Minister, and senior Cabinet members. There is thus top-level political power at the apex of the planning machinery. Figure 5.1 illustrates the planning machinery at the Central level.

The NDPC acts as the Consultative Committee and is responsible for the detailed consideration of policy problems. It reports and is responsible to the NEC. The EPU within the Prime Minister's Department, previously called the Economic Secretariat, acts as the secretariat to the NDPC. Since the inception of the Second Five-Year Plan the Central Government has developed and

FIGURE 5.1  
The Planning Machinery at the Central Level



refined these instruments of planning, in addition to establishing an Economic Advisory Committee, for guiding and accelerating economic development.

The NDPC, chaired by the Ketua Setiausaha Negara, comprises senior Central civil servants especially of the PTD.<sup>31</sup> It is responsible for the formulation, implementation, progress evaluation, and revision of development plans. The EPU's responsibilities in general include national development planning, natural resources and regional economic planning, project and development assistance, and project management.<sup>32</sup> Specifically the EPU drafts the annual development or investment budget while the Treasury drafts the ordinary budget. The EPU has to approve every project in the budget, thus ensuring that each project is consistent with the five-year development plan which it also drafts. The preparation of the development budget usually occasions conflict between the growth-minded EPU and the stability-minded Treasury, 'with final resolution by compromise in the Cabinet' and 'What specific items were finally included was determined jointly by the Treasury and EPU officials'.<sup>33</sup> Specifically the Treasury and EPU officials, jointly constituted as the Estimates Subcommittee of the NDPC, make these determinations. The real powers of the EPU over the administration of planning rest on its influence over the allocation of development funds through the drafting of the five-year plans, control over access to foreign technical assistance, and crucial roles in negotiating, together with the Treasury, economic assistance with foreign donors and lenders.<sup>34</sup>

The States of Peninsular Malaysia have no particular development responsibility. In principle, States in a Federation should be able to plan the development of resources, such as land, that are within their jurisdiction. In Peninsular Malaysia the States' powers have been blunted by their poor finances and by the fragmentation of their powers even within their areas of jurisdiction. The planning of development in the States, even within their areas of jurisdiction, must necessarily depend on Central funding. At the State level, because States were not created for planning purposes, the planning mechanism was either non-existent or inadequate. The State Secretariats could have taken up the task of planning but in all the States they have been largely confined to personnel, finance, housekeeping, local government, and land activities because they 'were not certain that their role permitted them to intervene in substantive areas or that they were competent to do so'.<sup>35</sup> Not

surprisingly, before the establishment of State and District Development Committees and State Economic Planning Units (SEPUs), State or regional planning was not much in evidence. Planning at the State level was then, at best, haphazard and handicapped by the State Governments' apparent lack of orientation towards tasks required for development. As Thong Yaw Hong, the then Director-General of the EPU, argued, 'Planning at the programme and project levels will only become really efficient when the planning approach becomes fully established as a way of life in the... State Governments.'<sup>36</sup>

The States' freedom in the area of development is a function of States' financial capacity and political persuasion: the richer the State, the more capable it is to plan and finance its own development programmes, as Selangor<sup>37</sup> undoubtedly was. A State controlled by a political party different from that controlling the Central Government would also be more likely to provide and indeed emphasize alternative development priorities to those of the Centre. This the PAS-controlled Kelantan Government attempted—in land development—despite financial constraints.

The States' desire to go their own way in development matters has been weakened by their inescapable financial dependence on the Central Government. Since the same political party—the Alliance before 1969 and the National Front after 1973—controlled almost all the States of Peninsular Malaysia,<sup>38</sup> this desire at best was subject to bargaining with the Central party leadership. Furthermore, the Central Government has a vested interest in ensuring that those States that feel rich enough to have their own development programmes do plan in a responsible manner so as not to exhaust their financial resources. Sometimes these States 'do not apply the same standards of economy and criteria for project implementation', and 'they expect the Federal Government to bail them out when they are in the red'.<sup>39</sup>

The States' participation within an essentially highly centralized planning process is, nevertheless, important. The Central Government with its comparatively massive financial resources takes the lead in planning matters to which the States respond. Before the drafting of the national five-year plan, such as the FMP, circulars were issued by the EPU. These circulars<sup>40</sup> indicated the nature of States' participation in the planning process. They outlined the procedure that State Governments had to follow in preparing their respective statements of needs and problems. In these statements

States were required to indicate what measures should be taken and whether they were financially able to do so to meet their needs and problems. These statements were then forwarded to the EPU for processing and collation into the first draft of the FMP after taking into account both financial and economic appraisals. After examining the various sections of the draft plan, allocations were recommended accordingly. The EPU referred policy issues to the Cabinet when necessary. Therefore, 'the final draft Plan will thus emerge from the integration of the individual Federal Departmental Proposals and State Plans, and from the various decisions which will be taken by the Federal Cabinet on Federal policy'.<sup>41</sup> This loose planning procedure had to be tightened and, as one memorandum argued, 'all National and State Plans should be based upon an accurate assessment, at *Federal level*, of the needs of each State and the nation as a whole. It is quite impossible for individual States to prepare their own development plans in isolation, without an overall guiding policy from Federal level, from the very beginning.'<sup>42</sup>

The planning procedure was tightened by strengthening EPU guidance of State Governments in the preparation of the Second (1971-5) and Third (1976-80) Malaysia Plans. For the latter the EPU initiated the collection of information from States for planning purposes. In 1975 the EPU contacted all State Governments through their State Secretaries and informed them that each State had to prepare working papers stating to the EPU which development projects and other needs it sought to have included in the country's forthcoming five-year plan. It provided general guidelines for such papers which the respective States should complete within three to four months. Sometimes several EPU economists visited State Governments to give further explanations as to methods of presenting State Government proposals. The TMP, describing the States' subordinate position *vis-à-vis* the Centre within the planning process, stated that 'State Governments and Statutory Authorities participated in the initiation of plan proposals in respect of their areas of concern and in the deliberations on these proposals working through specially constituted Inter-Agency Planning Groups under the direction of the NDPC and the NEC'.<sup>43</sup> The recommendations made following such deliberations were examined by special committees headed by both the Prime Minister and Deputy Prime Minister before being considered by the NEC and the Cabinet.



The strengthening of EPU guidance could at least ensure that States needed to do more than just produce a collection of projects which might, hopefully, be fitted into the all-Malaysia Plan. Without this States might simply unload on the Central Government a list of unrealistic and inflated projects. While there was no evidence of this sort of exercise in unrealism, the States were criticized for their less than forthcoming attitude in the planning exercise. For the TMP, the Chief Secretary to the Central Government, Tan Sri Kadir Shamsuddin, stated that 'The Federal Government expects those less developed States to prepare more projects for a more equitable development strategy throughout the country'.<sup>44</sup> Furthermore, the Central Government had allocated funds for expenditure incurred in development planning but the response from SEPU's had been poor. He was especially critical of the tendency of States to refer all their problems to the Central Government. States did not plan with any great competence and their lack of the technical expertise to do so made them more dependent on the Central Government, which thus, through the NEC, NDPC and EPU, has the unenviable task of drawing up a viable all-Malaysia plan, of sorting out State requests and relating these to national priorities and financial feasibility. However, through its control of massive financial resources, it determines what these national priorities are and which States get what. This essentially involves a political judgement over two choices: maximum economic returns through rapid economic growth or balanced regional or State growth through equalization policies. The Central Government has been increasingly committed towards the latter.

The Central Government tended to view the States only as implementing and co-ordinating agencies in the quest to achieve national development priorities.<sup>45</sup> It apparently believed that Centre-State co-operation in the development field, not always smooth or without resistance from the States, could be achieved simply by it giving clear-cut directives and planning guide-lines to the State Governments. Thus under the FMP the NDPC and EPU assisted the State Governments in improving their planning and implementation procedures through either the short-term assignment of Central officers to the States or the NDPC undertaking field tours of projects in the States. The Central Government hoped that these arrangements would 'develop greater partnership and closer understanding between the Central and State Governments and ensure effective implementation and smooth administration of

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development programmes'.<sup>46</sup> Nevertheless, the Mid-Term Review of the FMP hinted that Centre-State co-operation was still lacking and stressed the need to achieve this and also to increase the States' technical expertise in the development field.<sup>47</sup> The SMP endorsed these needs and declared that

The success of the plan depends heavily on the activities of the State Governments. Many of the important natural resources, notably land, forestry and minerals, are within their jurisdiction. The plan requires a larger and more dynamic role by State Governments in the achievement of national objectives. It is therefore essential that there be full co-operation at every stage between the State and Federal Governments [and] To discharge their widened responsibilities effectively, State Governments will require a corp of better trained planners and administrators, with a greater awareness of national objectives and an ability to harness the full potential of the States' resources for the implementation of the plan.<sup>48</sup>

Thus, it was the States' duty to make the plan a success by fully co-operating with the Central Government. However, only the Central Government then had a pool of better trained planners and administrators who as Central officers had the necessary awareness of national objectives. On these Central officers the States now had to depend to increase their technical expertise and awareness of national objectives in the development field.

Under the SMP State-level planning was to be improved with the Central Government's assistance through the establishment of the SEPU within each State. The Central EPU took the lead, in 1972, in the establishment of such SEPUs and it also determined their functions.<sup>49</sup> The SEPUs' establishment, at the instigation of the Central Government, represented an administrative decentralization of the planning function. Established within the State Secretariat, the SEPU advises the State Planning Committee (SPC) with the *Mentri Besar* or Chief Minister and State Secretary as its chairman and deputy chairman respectively. The SPC in turn advises the State Exco, the top policy-making body in the State. By the time of the Mid-Term Review of the SMP, several States already had a nucleus of planning staff and in the majority of cases they were assisted by Central officers.<sup>50</sup> The SEPUs' establishment, however, was intended only to upgrade planning at the State level as adjuncts of the national planning administration: that is, planning at the State level had to reflect and give meaning to national priorities. The SEPUs were not meant to pursue State interests which were contrary to Centrally-defined priorities. In

development matters there was to be no deviation from national priorities.

Under the TMP<sup>51</sup> several SEPUs, especially those of the less-developed States, were strengthened to enable them to plan more effectively and consistently with national objectives. The Central EPU also extended, where necessary, technical and training assistance through its regional offices which were established to assist the SEPUs in the identification of projects and preparation of development programmes, especially those to be financed from Central sources. Furthermore, experienced personnel were to be 'deployed to help upgrade the planning capabilities of State Governments in the endeavour to strengthen the process of decentralized planning'.<sup>52</sup> These personnel could only have referred to Central officers for only they, through serving in the Central planning agencies, would have had the necessary planning experience.

Under the FMP the national planning process was extended with the addition of the 'Master Plan' technique.<sup>53</sup> This technique was considered essential in developing a comprehensive and integrated plan for the development of a State or a major part of it. Its use should be preceded by surveys of available resources and needs. So far the Central Government, in association with Pahang, Trengganu, Johore, Penang, Malacca, and Sarawak, has adopted this technique. The adoption of such a technique, however, necessarily requires the consent of the State Governments concerned.

The administration of the national development effort was further decentralized by the establishment of RDAs.<sup>54</sup> They were established at the State level by the Central Government after it had, with the respective State Governments' agreement, identified several regions in a State for Centrally-funded development programmes. During the first part of the SMP the Jengka Authority and the Pahang Tenggara (Southeast) Authority in Pahang, the Johore Tenggara Authority in Johore, and the Trengganu Tengah Tenggara Authority in Trengganu were established. These Authorities were designed 'To initiate and co-ordinate the implementation of various programmes and projects resulting from the various regional studies in Pahang, Johore, and Trengganu'.<sup>55</sup>

The RDAs, although Centrally-appointed, comprise both the Centre's and the particular State's representatives. They operate within the States as agents of the Central Government and are involved with the development of land, an exclusive State right.

The State Governments also have their own statutory bodies, the SEDCs, which are dependent on Central funding. These Corporations are also involved in land development projects, either in conjunction with Central agencies or independently. Thus, the States and their SEDCs must have an interest in the activities of the RDAs and indeed also the other Central bodies like the Federal Land Development Authority (FELDA) and FIDA. The proliferation of such Central bodies, due to the increasing national development needs and the administrative decentralization of the national development efforts, at the State level in competition with State bodies would test and tax Centre-State co-operation.

The co-ordination of development programmes is crucial to, if not the essence of, planning.<sup>56</sup> Within a Federation there are two types of co-ordination, the horizontal and vertical. Briefly, Ministries and Central departments with State branches are also involved in development activities and their co-ordination in such activities is referred to as vertical co-ordination. The following discussion is confined to the co-ordination of Central and State development activities, referred to as horizontal co-ordination.

The State administrative machinery was not devised for the co-ordination of development programmes. The Central Government felt as early as 1959, with the implementation of the rural development plans, that this weakness had to be overcome. The State Secretariats, situated at the centre of the respective States' administrative structure, took little interest in the developmental departments and were thus considered unsuited for the co-ordination of development efforts.<sup>57</sup> Furthermore, Tun Abdul Razak, as Deputy Prime Minister and Minister of Rural Development, felt that the Government agencies at the State and District levels were not working together and that their perverse independence was an obstacle to rural development. To overcome this he directed that a State Rural Development Committee (SRDC), now known as the State Development Committee (SDC), and below it, District Rural Development Committees (DRDC) be established in each State.<sup>58</sup> The State Secretariats, not surprisingly, were excluded from participating in this committee system.

The SRDC was chaired by the *Mentri Besar* or Chief Minister with the State Development Officer, a senior MCS officer of the Ministry of Rural Development, as its executive secretary. Other members included the State Heads of all the State technical de-

partments and the State's Members of Parliament. The DRDC in each district was chaired by the District Officer who was also an MCS officer in the former FMS and SS but not in the former UMS. Other members included all the District Heads of technical departments, State Assemblymen and MPs from the district. The State Development Officer was the link between the SRDC and the DRDC. In each State the District Officers were, and still are, formally responsible to the State's Mentri Besar or Chief Minister, normally through the State Secretary. However, in development matters they were, and still are, responsible to the State Development Officer as an executive of both the Mentri Besar or Chief Minister and the Minister of Rural Development.<sup>59</sup> In this sense the State Development Officer at the State level was, and still is, the key co-ordinator in development matters with direct access to and control over the District-level co-ordinators, the District Officers.

The establishment of State- and District-level committees decentralized the co-ordination of national and rural development. This committee system bypassed the State Secretariats and allowed the Ministry of Rural Development, through the State Development Officer and District Officers in each State, direct access to the local units despite the nation's federal structure. The Central Government was initially undecided as to whether its decentralized approach to rural development should focus on the *Negri* (State) or the *Daerah* (District) level. If rural development was entrusted to the State it would require a low-resource system to advance rural uplift and this would generate centralizing tendencies which the Central leadership wanted to avoid. More important, perhaps, the Central leadership was not eager to promote strong centres of State autonomy. It was decided, according to Stephen Chee, that 'the daerah or district, not the State (except in the east coast States of Kelantan, Trengganu and Pahang), was the true locus of local government and the nexus between the rural Malays and the central administration. It is the point at which the administration (traditional and modern) works its will.'<sup>60</sup>

The committee system of co-ordination was reorganized and strengthened in the early 1970s. Before this, at the Central level, the apex of the committee system was the Minister of Rural Development. Generally, the National Action Council (NAC) oversees the whole national development effort.<sup>61</sup> The Prime Minister chairs the NAC, which includes senior Cabinet Ministers and the Heads of

the Civil Service, the Armed Forces and the Police. The ICU within the Prime Minister's Department acts as the Secretariat to the NAC.

At the State level, the State Action Committee (SAC) was established primarily for implementing and co-ordinating the national development effort at this level. The State Development Officer's office provides the Secretariat to the SAC. The SAC, with the *Mentri Besar* or Chief Minister as chairman, also includes senior State Exco members. Alongside the SAC, the SDC is chaired also by the *Mentri Besar* or Chief Minister with the State Development Officer as its executive secretary. It has the same membership and tasks as the former SRDC.

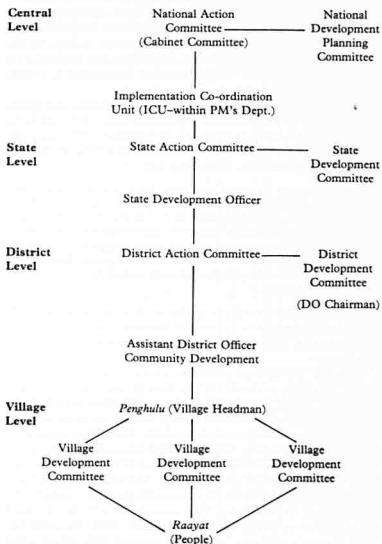
At the District level, two committees, the District Action Committee (DAC) and the District Development Committee (DDC) which was formerly the DRDC, form part of the nationwide structure of co-ordination. The District Officer chairs both committees. The former is the more important and powerful and includes as members the heads of all District technical departments of the Central and State Governments, senior Police and Army officers, *Wakil Raayat* (State Assemblymen), and *Penghulu* (village headmen). The latter Committee includes only the Heads of the District technical departments. The District Officer, as chairman of both committees, has thus been clothed with both State and Central authority in development matters. The national committee system of co-ordination which links the different levels and is responsible for co-ordinating and implementing the development plans is illustrated by Figure 5.2.

The activities of Central statutory bodies<sup>62</sup> in national development are co-ordinated at the Central level by the Ministry of Public Enterprises. They usually deal directly with State Governments and their success may well depend on such Governments' attitude to their activities within the States.<sup>63</sup> The National Petroleum Company (PETRONAS), concerned with petroleum and its development, was involved in difficult negotiations with the States regarding their share of petroleum revenues.<sup>64</sup> The RDAs' activities in regional development are co-ordinated by the Federal Co-ordinating Committee for Regional Development. This Committee comprises senior representatives of the EPU, Federal Treasury, FIDA, and ICDAU.

The SEDC, established through State legislation, is designed to develop economic resources and carry out economic development



FIGURE 5.2  
The National Committee System of Co-ordination



Source: Adapted from S. Chee, *Local Institutions and Rural Development in Malaysia*, Ithaca, New York, 1974, p. 32.

programmes within the State. Although owned by the respective State Governments, the SEDCs' activities are subject to Central influence through the co-ordination of their activities by a Central committee, and through other responsibilities exercised by this committee.<sup>65</sup> At the very least the SEDCs and the States cannot go their way without Central Government approval. Overall, by the time of the TMP, the planning and implementation machinery in Peninsular Malaysia can be approximately represented by Figure 5.3.

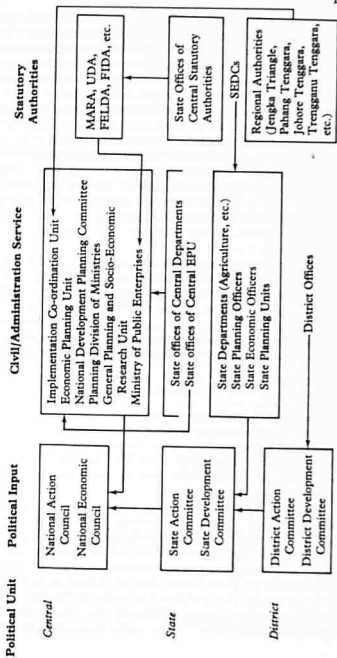
Because of the division of powers between the Centre and States, national development within a Federation must of necessity be based on Centre-State co-operation. A newspaper editorial, commenting on the Prime Minister's remarks on Centre-State relations in the development field, underlined this:

Development plans are made nationally, funds are secured for their implementation by the Federal Government, responsibility for the success of these projects rest [*sic*] upon the shoulders of Ministers who must answer queries about their progress in Parliament, and yet the ways and means by which all the ingredients are put together for the benefit of the people are not all within the command of the national administration. As a result of history, many matters remain constitutionally entrenched in the hands of the State Governments.<sup>66</sup>

However, this is not really an appeal to States to co-operate with the Central Government on an equal basis but a call to recalcitrant States to play their subordinate part in national development efforts.

National development planning, economic or social, is dominated, inevitably perhaps, by the Central Government. States participate within the framework of national priorities which are determined at the Central level and are subordinate to the national five-year plans. Several reasons account for this. The Constitution concentrates legislative, executive and financial powers in the Central Government. Also, in comparison to the States, there is a more readily available pool of senior and experienced Central officers with the required technical knowledge at the Central level. These apart, the following two reasons seem to be the most important in explaining Central dominance. First, the same political party—the Alliance, which later merged with several other parties to form the National Front—has controlled the Governments in all the States of Peninsular Malaysia (with certain exceptions) as well as at the Centre. Second, the States' financial

FIGURE 5.3  
The Planning and Implementation Machinery in Peninsular Malaysia



dependence on the Central Government places them in a relatively weak position *vis-à-vis* the Centre despite their control of certain matters. Planning implies some amount of centralization in decision-making which the Central Government dominates because it can secure acceptance of national policies and programmes through the leverage of loans, grants, and subsidies.

Central dominance has established the States as important agents in the top-down co-ordination of development efforts. Through the Centrally-directed establishment in each State of the State Development Officer and his staff, the development committees, the SEPU and the liberal use of secondment or loan of Central officers, Central administrative links to the States are tightened. The Centrally-determined development programmes have simultaneously increased the centralization of the administration responsible for implementing and co-ordinating these programmes.

The Central and State Governments are no longer confident that the existing structure and areas of administration can provide an adequate framework for large programmes of development. This is indicated by the increase in the number of Central and State statutory bodies. A new pattern of Centre-State administrative relations may emerge, one that may increasingly emphasize the necessity of Centre-State co-operation in the development field.

### *Conclusion*

Malayanization significantly altered the composition of the MCS and paved the way for the dominance of former MAS officers within it. Since they were educated in, recruited from, and largely employed in the former FMS, their dominance within the MCS underlines the geographical non-representativeness of this Service.

The Central Government is by far the largest single employer of public employees. This, together with the complete dependence of States with federalized bureaucracies on the personnel of the Central administrative, professional and technical services, has placed the Central Government in a strong position in its relations with these States. These States, after all, depend on such Central officers to execute their policies. The exceptions to this complete dependence—perhaps encapsulation—are the States with non-federalized bureaucracies. These States have their own SCSs

whose officers hold all the key administrative posts within the State. They depend only on personnel of the Central professional and technical services. These States, in comparison to the former, do enjoy and exercise a certain degree of autonomy in the execution of their policies. Thus, the level of dependence on Central officers is uneven between States.

The Central Government's dominance in development planning and implementation does have an impact on Centre-State administrative relations, not least because the development programmes—and with this the administrative structure—now reflect a national pattern determined at the Central level. Indeed these development programmes represent strongly centralizing tendencies because they carry the imprint of Central perspectives.

1. Federation of Malaya, *Report of the Committee on the Malayization of the Government Service*, Kuala Lumpur, Government Press, 1954.
2. Federation of Malaya, *Report of the Committee on the Malayization of the Public Service*, Kuala Lumpur, Government Press, 1956.
3. *Ibid.*, p. 38.
4. R. O. Tilman, *Bureaucratic Transition in Malaya*, Durham, N.C., Duke University Press, 1964, p. 104, and see also R. O. Tilman, 'The Malay Administrative Service, 1910-1960', *The Indian Journal of Public Administration*, Vol. 7, April-June 1961, p. 156.
5. Recruitment into the MAS, especially after the Second World War, was gradually widened to include those who were from the States of the former FMS and SS. After Malayan Independence, recruitment into the MAS was widened to include all suitably qualified Malays from all the States. When in 1974 the MAS was merged with other Central Services and the SCSs of Penang and Malacca to form the General Administrative Service or the Perkhidmatan Tadbir Am (PTA), recruitment was widened further to include all suitably qualified Malaysian citizens.
6. Federation of Malaya, *Report of the Committee on the Malayization of the Public Service*, pp. 39-40.
7. M. Puthucherry, *The Politics of Administration: The Malaysian Experience*, Kuala Lumpur, Oxford University Press, 1978, p. 79.
8. *Ibid.*, pp. 79-80.
9. See Tilman, *Bureaucratic Transition in Malaya*, p. 83, n. 5 and Appendix B.
10. Federal Secretariat Circular No. 13 of 1950 (F.S.O. 1425/49), Section 2 (ii).
11. *Ibid.*
12. Federal Establishment Office, *Circular, No. 9 of 1955*.
13. Jabatan Perkhidmatan Awam (PSD), *Pekeliling Perkhidmatan, Bil. 14 Tahun 1974*, para. 2 (Service Circular, No. 14/1974).
14. *New Straits Times*, 30 September 1980.
15. Interview with a Senior Officer of the Public Service Department.
16. *Straits Times*, 9 December 1971.

17. *Straits Times*, 22 December 1971.
18. *Straits Times*, 28 April 1971.
19. *New Straits Times*, 9 June 1976.
20. *New Straits Times*, 21 July 1978. See also *New Straits Times*, 19 August 1978.
21. Federation of Malaysia, *Malaysian Parliamentary Debates, Dewan Raayat*, Kuala Lumpur, Government Press, Vol. 3, No. 26, 24 October 1977, cols. 2903-4.
22. *Ibid.*, cols. 2904-5.
23. Tilman, *Bureaucratic Transition in Malaya*, p. 87, n. 12.
24. C. H. Enloe, 'The Neglected Strata: States in the City-Federal Politics of Malaysia', *Publius*, Vol. 5, No. 2, Spring 1975, p. 153.
25. Similarly, in India, States' dependence on the All-India Services tends to compromise their autonomy and be detrimental to the growth of self-government in these States. See R. N. Thakur, *The All-India Services: A Study of Their Origin and Growth*, Patna, Bharati Bhawan, 1970, p. 256.
26. Federation of Malaya, *Report of the Committee on Relationships between the Federal and State Governments*, Kuala Lumpur, Prime Minister's Department, November 1961, p. 1.
27. *Ibid.* The Deputy Prime Minister was unsuccessful in his effort to have the Committee's term of reference expanded so as to include a review of the workings of the various State Constitutions. *Ibid.*, p. 2.
28. The Committee considered that some of the important problems affecting Centre-State relations included those of the implementation of the Rural Development Plan, land and related matters, staff shortages, Public Works Department, financial assistance to States, Staff quarters, office accommodation, consultation with State Governments, low-cost housing, issue of licences under the Waters Enactment, railway crossings, army movements and manoeuvres, standing orders of State Legislative Assemblies, Ministerial visits to States, and co-ordination with public bodies. *Ibid.*, pp. 3-19.
29. Owing to difficulties associated with access to minutes of both the PM/MBs/CMs and FSLC meetings, it is not possible to be precise as to the date of the Committee's formal establishment. The discussion is thus necessarily based on information gained essentially from interviews and whatever could be gleaned from newspapers.
30. Article 92 of the Constitution and Article 42 of the National Land Code were especially designed to overcome States' exclusive jurisdiction over land matters in each State. However, the Central Government has never resorted to using the powers provided by these provisions to get around 'sticky' States' prerogatives over land.
31. Federation of Malaysia, *First Malaysia Plan 1966-1970 (FMP)*, Kuala Lumpur, Government Press, 1965, p. 90. The States of Sabah and Sarawak are represented while States of Peninsular Malaysia are not.
32. For details see Bahagian Perancang Ekonomi (Economic Planning Unit), *Pekeliling*, Jabatan Perdana Menteri, Kuala Lumpur, 20 June 1968, pp. 2-4.
33. M. J. Esman, *Administration and Development in Malaysia: Institution Building in a Plural Society*, Ithaca and London, Cornell University Press, 1972, pp. 84-5.
34. An Economic Advisory Committee also contributes to the planning process. This Committee is made up of representatives of the private sector—employers and trade unions. It submits plan proposals to the NDPC. The Support Group com-

- prising the Planning and Research Units of Central Ministries similarly contributes to the planning process.
35. Esman, *Administration and Development in Malaysia*, p. 91.
  36. Thong Yaw Hong, 'Planning—The Malaysian Experience', Malaysian Centre for Development Studies, Kuala Lumpur, n.d., Paper presented at the First Seminar on Development held in Kuala Lumpur from 24 October to 3 November 1966, organized by the Malaysian Centre for Development Studies, p. 11.
  37. See W. Senftleben, *Background to Agricultural Land Policy in Malaysia*, Institute of Asian Affairs, Hamburg, Publication No. 44, Weisbaden, Harrassowitz, 1978, p. 72.
  38. The States of Kelantan and Trengganu were controlled by the PAS from 1959 to 1969 and from 1959 to 1962 respectively.
  39. Thong Yaw Hong, *op. cit.*, pp. 13-14.
  40. As described in the Town and Country Planning Department, *Memorandum on the Approach to the National and State Development, and the Preparation of the First Malaysia Plan, 1966-1970*, 1964, paras. 1-2.
  41. *Ibid.*, para. 4.
  42. *Ibid.*, para. 13. Emphasis added.
  43. Federation of Malaysia, *Third Malaysia Plan 1976-1980 (TMP)*, Kuala Lumpur, Government Press, 1976, p. 264.
  44. *New Straits Times*, 30 March 1976.
  45. *FMP*, p. 93.
  46. *Ibid.*, p. 94.
  47. Federation of Malaysia, *Mid-Term Review of the First Malaysia Plan, 1966-1970*, Kuala Lumpur, Government Press, 1969, pp. 130-1.
  48. Federation of Malaysia, *Second Malaysia Plan, 1971-1975 (SMP)*, Kuala Lumpur, Government Press, 1971, p. 115.
  49. See Implementation, Co-ordination, Development Administration Unit (ICDAU), 'A Guideline for the Setting Up of State Planning Units', unpublished, 1972, p. 2.
  50. Federation of Malaysia, *Mid-Term Review of the Second Malaysia Plan, 1971-1975*, Kuala Lumpur, Government Press, 1973, p. 106.
  51. Federation of Malaysia, *TMP*, pp. 263-4.
  52. *Ibid.*, p. 264.
  53. Federation of Malaysia, *Mid-Term Review of the First Malaysia Plan, 1966-1970*, pp. 134-5.
  54. Federation of Malaysia, *Mid-Term Review of the Second Malaysia Plan, 1971-1975*, p. 106.
  55. *Ibid.*
  56. A. H. Hanson, *The Process of Planning: A Study of India's Five-Year Plans, 1950-1965*, London, Oxford University Press, 1966, p. 84.
  57. Esman, *Administration and Development in Malaysia*, p. 101.
  58. G. D. Ness, *Bureaucracy and Rural Development in Malaysia: A Study of Complex Organizations in Stimulating Economic Development in New States*, Berkeley, University of California Press, 1967, p. 144.
  59. *Ibid.*, p. 151.
  60. Stephen Chee, *Rural Development and Development Administration in Malaysia*, Southeast Asia Development Advisory Group, Papers on Problems of Development in Southeast Asia No. 74/5, New York, The Group, 1974, p. 17.

61. Federation of Malaysia, *Mid-Term Review of the Second Malaysia Plan, 1971-1975*, p. 106.

62. These bodies form part of the Central Government. They are totally owned, financed, and controlled by the Central Government and are governed by Acts of Parliament. Examples include the Federal Land Development Authority (FELDA), the Federal Land Consolidation and Rehabilitation Authority (FELCRA), the State Trading Company or Perbadanan Nasional (PERNAS), and the Urban Development Authority (UDA).

63. The lack of FELDA schemes in PAS-controlled Kelantan was an example. Kelantan then had persistently refused to comply with the National Land Council's decision on nominal premia and insisted on full payment in accordance with Article 83 of the Constitution. See Senftleben, *Background to Agricultural Land Policy in Malaysia*, p. 213.

64. See R. S. Milne and D. K. Mauzy, *Politics and Government in Malaysia*, Vancouver, University of British Columbia Press, 1978, p. 121. The Ninth Schedule, LII-2(c), and the Tenth Schedule, Part III-3, of the Constitution accorded States the right to a share of the revenue from mining operations within their territories. See also *Malaysian Business*, December 1974, pp. 12 and 18-19.

65. This Committee was established during the SMP period. See *SMP*, p. 115. The ICDAU then served as the Secretariat to this SEDCs' Co-ordinating Committee. See also Senftleben, *Background to Agricultural Land Policy in Malaysia*, p. 130.

66. *New Straits Times*, 29 April 1978.



## Centre-State Administrative Relations: Kedah and Pahang, Divergent Traditions Compared

THIS chapter compares Kedah and Pahang with regard to their respective administrative relations with the Centre. This comparison seeks to delineate the nature and extent of the Centre's penetration of these respective States' bureaucracies. The bureaucracies of Kedah and Pahang have developed from two differing bureaucratic traditions, i.e. those of the former UMS and FMS.

### *Historical Background*

#### **Kedah**

Malay Government in Kedah and the nucleus of its administrative cadre was well established when all 'rights of suzerainty, protection, administration, and control whatsoever' over Kedah, Kelantan, Trengganu, and Perlis were ceded by Siam to the British Government in 1909.<sup>1</sup> Kedah had combined modern bureaucratic organization with traditional systems of State Government and although 'centralized administrations of this kind were still only in infancy, they were staffed almost entirely by Malays'.<sup>2</sup> The Kedah ruling group was also collectively dedicated to the continuance of Malay control and the preservation of the Malay characteristics of the State. Not surprisingly the British were confronted with a strong sensitivity among the ruling group, comprising the Sultan and members of the State Council, to all attempts to overstep the boundaries of advice and guidance. In this the ruling group had the support of virtually all Malay Government officers. The first British Adviser to Kedah, George Maxwell, duly recognized the strong Malay character of Kedah which he emphasized in his Annual Report to the Kedah Government.<sup>3</sup> The British High Commissioner, Sir John Anderson, was similarly impressed by this. After visiting Kedah in 1909, he reported that it was impossible to contemplate the early entry of

the States that were ceded by Siam to the British Government into the Federation of the Malay States of Pahang, Perak, Selangor, and Negri Sembilan. This was especially so in the case of Kedah,

... where there is a fully organised central administration composed of Malays, some of them, men of considerable ability and individuality. . . . They are very tenacious of power and privileges and no doubt the agitation and intrigues which preceded the transfer was largely due to the apprehension that those in power would be reduced to the position of pensioners with only titular authority and duties and that the actual administration would, as in the Federated Malay States, be placed in the hands of Europeans.<sup>4</sup>

He argued that even if Kedah's finances could support a European Staff, it would be highly impolitic and undesirable to displace the Malays. While European assistance for supervision and direction was necessary, he concluded that British policy should be confined to educating and training the Malays to carry on the administration themselves. The Malay identity and character of Kedah's authority and administration were further reaffirmed by the 1923 Treaty.<sup>5</sup>

In administration the British relied on the then existing Central institutions. Thus, officers of the all-European MCS were seconded to Kedah. So also were specialist and technical officers of Central Departments made freely available to Kedah. Despite the penetration of such Central officers, the Kedah administration retained its own individuality as 'a truly autonomous Malay administration acting under British advice'.<sup>6</sup> S. W. Jones and V. Purcell were similarly impressed by Kedah's commitment to its perceived place and role within British Malaya as a truly Malay State with minimal foreign participation in the administration of its affairs.<sup>7</sup>

In Kedah Malay officers of the SCS were trained for both subordinate and superior administrative posts in the State. Their planned training resulted from the Kedah Government's policy of promoting Malay political control of the State.<sup>8</sup> The Kedah Menteri Besar, then called the Secretary to the Government, played a crucial part in this. Using his wide discretionary powers, he selected candidates for higher education and placed them in State Government posts when they returned. The Kedah SCS contained salary scales equivalent to those of the MCS. In 1946 there were 26 officers in the Kedah SCS drawing salaries of \$400 per month (the starting salary for the MCS) or more.<sup>9</sup> Up till and

beyond Malayan Independence, as later discussion will show, Kedah had a full-fledged SCS that it controlled.

### **Pahang**

The experience of Pahang was different. As part of their forward policy the British, in succession, entered into a series of treaties with the States of Perak, Selangor, Negri Sembilan, and Pahang.<sup>10</sup> Direct British participation in the administration of these States was thus facilitated although in principle these treaties envisaged the appointment of a British Resident to each State with powers only to advise the Ruler of the State.<sup>11</sup> In these States a different objective situation prevailed in the 1870s and, as Frank Swettenham, the first Resident-General of the FMS, claimed,

The British, on arriving here, found no Native Civil Service... which could gradually be reformed and disciplined. On the contrary, an English Civil Service had to be created, and many years must elapse before any appreciable numbers of Malays will be fitted to take their due or any prominent place in the labours of Administration.<sup>12</sup>

Following British intervention in Pahang the administration expanded into an elaborate bureaucracy, one that was led and staffed by Europeans, including the State Civil and Specialist Services. To provide for administrative uniformity the FMS was established by the Treaty of 1895, and the Administrative and Specialist Services of Perak, Selangor, Negri Sembilan, and Pahang were merged to form the Central Services.<sup>13</sup> A unified MCS was established in the interests of efficiency.<sup>14</sup>

The Rulers then enjoyed the rights of self-government only in matters relating to Malay custom and religion. Since the establishment of the British Resident system, the Rulers had only in theory enjoyed the right of self-government. In practice the Residents had usurped the Rulers' rights in whose name they ruled. This gulf between theory and practice was widened by the Federation Agreement of 1895 because it established 'not a Federation of Malay States, but union with a British directed central government'.<sup>15</sup> With the establishment of the FMS the Resident in each State was subordinate to the Governor of the Straits Settlements who was also the High Commissioner of Malaya and, below the Governor, the Resident-General in Kuala Lumpur.

Before the FMS was established British officers in the four States led and staffed the respective SCSs. Nevertheless, there was

some sense in which they identified with the State in which they served and they were equally viewed, especially by the Rulers, as officers of the State. The FMS administrative centralization<sup>16</sup> began through the establishment of a unified Service of Central officers who then manned the State departments and who could be transferred between the States, the setting up of several Central departments in each State and the federalization of several State departments manned also by Central officers. These changes destroyed whatever autonomy had been enjoyed by the former SCSs which had been 'of importance to Rulers, who might hitherto have had little power, but who had at least been able to identify certain services and officers belonging to their own States, and derive some reassurance from long acquaintance with them'.<sup>17</sup> Not surprisingly the opposition to the establishment of the FMS came largely from local British administrators within the States because they would lose the independence and freedom of action which they enjoyed as a result of their loosely defined authority. Yet they invoked the principle of non-interference with the Rulers to defend the personal rule of Resident and Governor. The Residents led this opposition even to the extent of being viewed as the champions of States' Rights in opposition to the Colonial Office demands.<sup>18</sup>

The participation of Malays as senior administrative officers within the States, apart from the formal role of the Rulers and members of the Royal Court, was negligible. In 1910 a special Central Service, the MAS, was created especially for Malays.<sup>19</sup> Its establishment was a response to the demands for Malay participation (in effect an earlier version of Malayization) and a consequence of the decentralization policy.<sup>20</sup> The MAS was largely envisaged then as a junior service, with the promise of being a filter or feeder service to the MCS. It was a service of the FMS only, recruited from among suitably qualified Malays of the four States of the FMS. MAS officers served only in their own States and usually held junior posts in district administration. Their duties were more nearly clerical than administrative. Promotions within the Service were agonizingly slow and irregular, although certain changes were introduced in 1917 to expedite the promotion of MAS officers into the MCS. Despite these changes and S. W. Jones's suggestion that Clementi's decentralization plan of 1932 had brought about the acceleration of promotion from the MAS, the rate of filtration or promotion of MAS officers into the MCS was markedly low.<sup>21</sup>

Pahang, as part of the FMS, experienced a more direct and pervasive British involvement in its administration than Kedah. Without its own SCS its administration came to be dominated by the mainly European MCS and other Central technical and professional services which were controlled by the Central Government at Kuala Lumpur. In this the Malay officers of the MAS played their customary subordinate and junior role. This tradition of dependence was to remain until Malayan Independence and continued thereafter.

The tradition of administrative autonomy in Kedah was due to several factors: the flexible nature of British participation in the State's administration, the role of the Sultan in preserving some semblance of independence, and the emphasis placed on the use of 'sons of Kedah', as officers of Kedah's own SCS, for most of the key administrative posts within the State bureaucracy. The tradition that developed in Pahang was one of total dependence on the Central Services. This was, in no small measure, due to the more aggressive British participation in the State's administration. While Kedah had a SCS that it could claim as its own, Pahang could make no such claim.

### *Kedah's Response to the Central Government's Plan to Federalize the State Civil Services*

In early 1957, the Albakri Committee submitted to the Kedah State Government for its consideration, a memorandum proposing to federalize or, more appropriately, make the SCSs uniform with the Central Services. The memorandum proposed that States with their own SCSs should have these Services integrated through being merged with the MAS. This memorandum was submitted to the then State Secretary of Kedah who submitted it without comment to the State Executive Council for decision. The State Exco referred the memorandum to the Ruler since it touched on his position and authority in relation to the Kedah SCS. The Ruler, however, was not favourable to the integration proposal. Integration of the Services would reduce the Ruler's power (perhaps influence) over the appointment of Kedah civil servants to the top posts of the Kedah bureaucracy, for integration would transfer power over appointments from the State to the Central level. The State Exco accepted the Ruler's advice and rejected the Albakri Committee's memorandum.

A State-level committee comprising members of the Kedah Civil Service Union was also established to study the Albakri Committee's memorandum. The State-level committee rejected the idea of integrating the Kedah SCS with the Central Service because it wanted to retain a separate identity for the Kedah Civil Service. This Committee justified its decision by referring to the fact that the Kedah Ruler was also against it.

The senior and more experienced members of the Kedah SCS resented the fact that the integration proposal accorded them second-class treatment because the merging of the Kedah SCS with the MAS neglected their long service in the SCS. Since the MAS was a Division II Service compared to the MCS which was a Division I Service, integration would accord Kedah civil servants only Division II ranking. If the suggestion was to give the Kedah civil servants Division I ranking then at least the integration proposal could have been discussed in more detail. Nevertheless, several junior members of the Kedah SCS were receptive towards the integration proposal since greater promotion opportunities would be available within the Central Service. The pervasiveness of a strong sense of loyalty among the Kedah civil servants hindered the acceptance of what was then viewed as a generally unacceptable package.<sup>22</sup> Thus, as far as Kedah, its Ruler, and the majority within the Kedah Civil Service Union were concerned, the Albakri Committee's integration proposal was a non-starter.

The Federal Establishment Office that replaced the Albakri Committee pursued a two-tier approach to the question of integrating the SCSs with the Central Services: those holding Divisions I and II posts within the SCSs would be integrated into the MCS and the MAS respectively. Table 6.1 compares the Divisions I and II posts within the bureaucracies of Kedah (non-federalized) and Pahang (federalized) held by the officers of either the Kedah SCS or the MCS and the MAS in 1958. Table 6.2 compares the salary scales of Divisions I and II posts within the bureaucracies of Kedah and Pahang held by the officers of the Kedah SCS, the MCS or the MAS in 1958. The FEO's approach would mean that the Divisions I and II posts within the Kedah SCS would become, on integration, MCS and MAS posts respectively. Table 6.2 indicates that of the twelve Division I posts held by the SCS, the one Superscale D would become an MCS Superscale D post. The Kedah SCS Class IA range of salaries was within that of the MCS Senior

TABLE 6.1

Number of Division I and Division II Posts within the Bureaucracies of Kedah and Pahang Held by Officers of the Kedah State Civil Service, the Malayan Civil Service, or the Malay Administrative Service, 1958

Posts	Kedah		Pahang	
	State Civil Service	Malayan Civil Service	Malayan Civil Service	Malay Administrative Service
Division I	12	4	20	0
Division II	60	0	0	17
Total	72	4	20	17

Sources: Kedah, *Estimates of Revenue and Expenditure 1958*, Kuala Lumpur, Government Press, 1958; Pahang, *Estimates of Revenue and Expenditure, 1958*, Kuala Lumpur, Government Press, 1958; Federation of Malaya, *Staff List, 1958*, Kuala Lumpur, Government Press, 1958.

Timescale, and thus integration would have placed the six Class IA SCS posts in the Senior Timescale of the MCS. The top salary of the SCS Class IB was higher than the lowest salary of the Senior Timescale of the MCS but the lowest salary of the SCS Class IB was lower than the top salary of the Timescale of the MCS. Integration would thus split the five Class IB SCS posts into Senior Timescale and Timescale of the MCS. In Division II, the SCS's Timescale range of salaries started from a lower level than did the MAS Timescale although both had similar ceiling levels. The sixty Division II SCS posts would on integration become MAS posts and SCS officers at the lower end of the SCS Timescale range of salaries (below \$415) would have gained immediately. It is thus not surprising that several junior officers of the Kedah SCS were receptive towards the integration proposal. However, the FEO's approach failed also because of the unenthusiastic attitude of the Kedah State Government, the Ruler, and the majority in the Kedah State Civil Service Union.

In the early 1970s the Central Government, through the Public Services Department or the Jabatan Pentadbir Awam (JPA), revived its integration plan. The PSD's integration plan also contained a similar two-tier approach. Tables 6.3 and 6.4 respectively compare for 1971 the number of Divisions I and II posts and the

TABLE 6.2  
 Salary Scales of Division I and Division II Posts within the Bureaucracies of Kedah and Pahang  
 Held by Officers of the Kedah State Civil Service, the Malaysian Civil Service or the  
 Malay Administrative Service, 1958

	Kedah		Pahang	
	State Civil Service	Malayan Civil Service	Malayan Civil Service	Administrative Service
<i>Division I</i>				
<i>Staff Appointments</i>				
Superscale A				
Superscale B				
Superscale C				
Superscale D	1			
Superscale E				
Superscale F		1		1
Superscale G				
Superscale H				
	1,970			
	1,850			
	1,760			
	1,670			
	1,580			
	1,490			
	1,430			
	1,360			



Kedah SCS						
Class IA	1,057-1,141	6				
Kedah SCS						
Class IB	836-1,037	5				
Senior Timescale	982-1,254		3			
Timescale	592-934			4		
				12		
<i>Division II</i>						
Federal MAS						
Timescale	415-813					17
Kedah SCS						
Timescale	280-813	60				
Total		72	4	17		17

Sources: As for Table 6.1

TABLE 6.3  
 Number of Division I and Division II Posts within the  
 Bureaucracies of Kedah and Pahang Held by Officers of the  
 Kedah State Civil Service, the Perkhidmatan Tadbir dan Diplomatik,  
 or the Perkhidmatan Tadbir Am, 1971

Posts	Kedah		Pahang	
	State Civil Service	Perkhidmatan Tadbir dan Diplomatik	Perkhidmatan Tadbir Am	
Division I	13	24	-	
Division II	61	-	18	
Total	74	24	18	

Sources: Kedah, *Estimates of Revenue and Expenditure, 1971*, Kuala Lumpur, Government Press, 1971; Pahang, *Estimates of Revenue and Expenditure, 1971*, Kuala Lumpur, Government Press, 1971; Federation of Malaysia, *Staff List, 1971*, Kuala Lumpur, Government Press, 1971.

salary scales of such posts within the Kedah and Pahang bureaucracies held by officers of the Kedah SCS, the MADS or PTD and the GAS or PTA. As in the earlier plan, Divisions I and II officers of the Kedah SCS would be integrated with the PTD and PTA respectively. On integration, of the thirteen Division I posts within the Kedah SCS, the solitary Superscales D and H posts would have become Superscales D and H PTD posts. The other eleven Division I SCS posts would become Senior Timescale PTD posts. The sixty-one Division II SCS posts, however, would become PTA Timescale posts.

The two-tier approach, intentionally or otherwise, resulted in divisions within the Kedah SCS. This was to be expected since Divisions I and II SCS officers would be absorbed into the elite PTD and junior PTA respectively. By integration these Division I officers would be free of the promotional confines of the Kedah SCS, thus enhancing their chances of being promoted to higher superscale posts within the PTD. However, the majority of Division II officers of the Kedah SCS would not gain immediately from integration: they would gain only in the long term through promotion from the PTA to the lower ranks of the PTD. This could be a lengthy and difficult exercise in which they would have to compete with the other PTA officers. Even when promoted they would most likely be quite old and thus could not realistically

TABLE 6.4  
 Salary Scales of Division I and Division II Posts within the Bureaucracies of Kedah and Pahang Held by Officers of the Kedah State Civil Service, the Perkhidmatan Tadbir dan Diplomatik, or the Perkhidmatan Tadbir Am, 1971

	Salary		Kedah		Pahang	
	(\$ per month)		Kedah State Civil Service	Perkhidmatan Diplomatik	Perkhidmatan Tadbir dan Diplomatik	Perkhidmatan Tadbir Am
<i>Division I</i>						
Staff Appointments						
Superscale A	1,970					
Superscale B	1,850					
Superscale C	1,760					
Superscale D	1,670		1		1	
Superscale E	1,580					
Superscale F	1,480				1	
Superscale G	1,430				1	
Superscale H	1,360		1		1	

(continued)

TABLE 6.4 (continued)

	Salary (\$ per month)	Kedah		Pahang	
		Kedah State Civil Service	Perkhidmatan Tadbir dan Diplomatik	Perkhidmatan Tadbir dan Diplomatik	Perkhidmatan Tadbir Am
Kedah SCS					
Class IA	1,254	4			
Kedah SCS					
Class IB	1,094-1,196	7			
Senior Timescale	982-1,254				
Timescale	592-934		20		
<i>Division II</i>					
Federal PTA					
Timescale	310-1,014				18
Kedah SCS					
Timescale	310-1,014	61			
Total		74	-	24	18

Source: As for Table 6.3

aspire to the higher superscale PTD posts. Thus integration would apparently condemn them to a permanent junior status for the most part, or perhaps the whole part, of their administrative careers. Through the Kedah SCS Union they rejected the integration plan.<sup>23</sup> At issue was the unease of the Division II officers of the Kedah SCS over their chances of promotion on integration from the PTA to the PTD compared to that within the Kedah SCS. When the State Exco received the integration plan it once again referred the matter to the Ruler for his advice. He felt that the continued existence of the Kedah SCS was necessary and symbolic because it portrayed a semblance of State autonomy over matters that reflected indirectly on his own status, prestige, and power.

The then Prime Minister, Tun Abdul Razak, consulted the Menteri Besar of Kedah, Datuk Syed Ahmad Shahabuddin, over the State's refusal to accept the integration plan. The Prime Minister's intervention was to no avail. Obviously the Menteri Besar was not successful in persuading the Ruler to accept the plan. The Ruler's power appeared decisive. In August 1975, after the State bureaucracies of Penang and Malacca had been successfully integrated and federalized, the Menteri Besar reiterated in the State Legislative Assembly that the State Government had no intention of allowing the integration of the Kedah SCS with the MCS.<sup>24</sup> Rather quaintly, he argued that integration was not necessary because the State had its own civil service. Apparently the Central Government had accepted Kedah's position from the mid-1970s when it agreed to improve the Kedah SCS's pay scales.<sup>25</sup> The implication was that the Central Government had accepted the importance that Kedah placed on the need to maintain the autonomy of its SCS. Kedah's response to the Central Government's federalization plans had indeed been true to its history.

### *Pahang and Kedah Compared*

#### **Impact of State Public Services Commissions**

The Pahang PSC was established on 10 February 1961 and its responsibilities included the 'appointment, confirmation to a permanent or pensionable post, promotion, transfer, supervision of discipline over officers within the State public service'.<sup>26</sup> Pahang

depends on the Central PTD and PTA, professional, and technical services to fill the State's key administrative, professional, and technical posts respectively. As officers of the Central Services, they are subject to the rules and conditions of service controlled principally by the Central Government. Seconded to posts within the State bureaucracy, they remain members of the respective Central Services and are therefore subject to the jurisdiction of the Central PSC.<sup>27</sup> They are, in principle, responsible to the State Government as State officers but their career prospects are determined by the Central PSD and PSC. The Constitution provided the Central PSC with powers 'to appoint, confirm, emplace on the permanent or pensionable establishment, promote, transfer and exercise disciplinary control over members of the service or services to which its jurisdiction extends'.<sup>28</sup> Thus the Pahang State PSC's jurisdiction, despite the statement of its responsibilities and jurisdiction, is practically confined to the State's own Clerical Services and those below this. The State PSC's powers over seconded Central officers in State posts are in fact limited, for these officers are subject to the jurisdiction of two Central institutions, the PSD and PSC.

In 1967 Pahang attempted to have some say over disciplinary matters within the State Public Service. Through an amendment of the State PSC Enactment the State PSC's powers and functions, except that of initial appointment to permanent or pensionable posts, were taken over by a Board appointed by the Ruler-in-Council.<sup>29</sup> The Board had responsibility for promotion and disciplinary matters but even so 'the Raja and Council had decided that the Disciplinary Appeals Board for Division I and II officers of the Public Service is the Pahang Public Service Commission'.<sup>30</sup> However, the Ruler rather than the State PSC or the Board had exercised, although infrequently, influence over disciplinary matters involving Divisions I and II officers.

The Kedah PSC, established in 1960, was similarly empowered 'to appoint, confirm, emplace on the permanent or the pensionable establishment, promote, transfer and exercise disciplinary control over persons in the public service of the State'.<sup>31</sup> Officers of the Central Services seconded to Kedah do not come under the Kedah PSC's jurisdiction.<sup>32</sup> They, therefore, in both Kedah and Pahang, are in a similar position *vis-à-vis* the respective State PSCs. While all of Pahang's top administrative posts are held by seconded PTD officers, such posts in Kedah are held by Kedah SCS officers.

Thus Kedah, through the State PSC, can exercise closer supervision and control over its top administrative officers; the Pahang State PSC cannot similarly exercise supervision and control over its seconded Central officers occupying the State's top administrative posts.

### Appointments

Certain posts within State bureaucracies can be designated as 'special posts' by the Ruler or Governor of a State.<sup>33</sup> These refer to posts held by the Head or Deputy Head of a State department or by an officer who, in the Ruler's or Governor's opinion, is of similar status. Appointments to these posts are made by the Ruler or Governor acting on the State PSC's recommendation and after considering the *Mentri Besar's* advice. However, since Pahang depends on the PTD and PTA, the PSD, in collaboration with the Central PSC, recommends PTD and PTA officers for such posts. Thus, Rulers and Governors are in a position to influence appointments to these posts. Suitability of candidates recommended for such posts may well be crucial. Sheridan commented: 'Such a provision is presumably designed to ensure that in those senior posts in the public service in which the personality of the holder is a matter of importance to the government, that government shall have a (duly circumscribed) influence in the matter of such appointment.'<sup>34</sup> The 'special posts' include the posts of State Secretary, State Financial Officer, and State Legal Adviser. In Kedah and Pahang these posts, with the exception of the State Legal Adviser's post,<sup>35</sup> are filled by Kedah SCS officers and seconded PTD officers respectively.

These special appointments, and the politics involved, differ between Kedah and Pahang. In Kedah the politics of such appointments and also the appointments to other key administrative posts is generally confined to within the State. The active participants in this include the Ruler, the political party in power, the SCS officers and the State PSC. Usually such appointments are keenly competitive and the political manoeuvres intense. These posts are desired because they are at the top of the Kedah SCS salary scales, and through appointment to such posts access to the State political leaders and the Ruler becomes formally established. This is because the State Secretary and the State Financial Officer are *ex-officio* members of the State Exco and State Legislative Assembly.

Such appointments are also valued because they accord confirmation of high status within the State to the successful appointees.

In Pahang, special appointments necessarily involve Central institutions like the PSD and PSC and, informally, Central political leaders. The Ruler, advised by the *Mentri Besar*, has to appoint from a list of names of PTD officers drawn up essentially at the Central level by the PSD and PSC after consultation with the Central political leaders. In this the Central political leaders usually consult the *Mentri Besar* to determine the Ruler's preferences. In the appointment of the State Secretary, the PSD usually submits a list of names of PTD officers to the *Mentri Besar* and then to the Ruler who then chooses anyone he thinks suitable to fill the post. Appointments to the posts of State Financial Officer and State Legal Adviser are similarly made. In these appointments the suitability of prospective candidates as perceived by the State political leaders is important. The Ruler also will normally want to be assured that the officers he appoints to special posts can get along with the State authorities and people in the State and, more important, commit themselves to State interests.

Among the most important other appointments within the State bureaucracy are those for the State Director of Lands and Mines or *Pengarah Tanah dan Galian*, District Officers, and Heads of State technical departments. In Kedah appointments to the *Pengarah Tanah dan Galian's* and District Officers' posts are made from among SCS members by the Kedah PSC. Appointments of Heads of State technical departments are made from seconded officers of the Central Technical and Professional Services. In Pahang all these appointments are made from seconded officers of the Central Administrative, Professional and Technical Services.

There is some competition for experienced and capable Central officers especially between States with federalized bureaucracies. Pahang also competes for such officers. On one of the rare occasions of public comment on such matters the Sultan of Pahang, speaking at a dinner for MCS officers serving in Pahang, declared that he had no intention of monopolizing for the State the services of all capable Central Government servants. He realized that other States and Ministries 'require Government servants with calibre too, but I hope due consideration will be given to my State which is experiencing rapid development'.<sup>36</sup> Nevertheless, Pahang needed officers with calibre who should be able to identify with



and be committed to the State's interests. The Sultan revealed as much when he stated that 'I do not care whether they are my subjects or not as long as they are loyal to me and my Government'.<sup>37</sup>

Kedah stays aloof from this competition. There is no need for such Central officers except temporarily when there are shortages, since it has its own SCS. Furthermore, it is in the interests of SCS officers to ensure that the top administrative posts in the State bureaucracy remain their exclusive preserve. These top posts represent to them the few available promotion opportunities within the SCS. The SCS represents an entrenched group with vested interests within the State bureaucracy. Its presence and stand help stiffen the State's resolve against Central penetration of the State bureaucracy, in this case through the appointment of Central administrative officers to State posts.

Several administrative posts in Kedah had originally been designated as posts to be held by MCS officers. Table 6.5 illustrates this. Indicative of Kedah's dogged insistence on maintaining a degree of autonomy, all these posts were left vacant until filled by SCS officers or abolished. The post of 'Adviser of Lands, Kedah' was left vacant from 1960 and abolished in 1962 and the post of 'Director of Lands, Kedah' was established and held by an SCS

TABLE 6.5

Division I Administrative Posts within the Kedah Bureaucracy  
Designated as Posts to be Filled by Malayan Civil Service Officers

Post	1960	1961	1962	1963	1964	1965	1966	1967
Adviser of Lands	1	1						
Assistant State Secretary (Emergency)	1	1	1					
Assistant State Secretary II	1	1	1	1	1	1	1	1
Assistant State Secretary IV	1	1	1	1	1	1	1	1

Sources: Federation of Malaya, *Staff List*, Kuala Lumpur, Government Press, annually, 1961-3; Federation of Malaysia, *Staff List*, Kuala Lumpur, Government Press, annually, 1964-8; Kedah, *Estimates of Revenue and Expenditure*, Kuala Lumpur, Government Press, annually, 1960-8.

officer. The post of Assistant State Secretary (Emergency) was left vacant from 1960 and was abolished in 1963. The other two Assistant State Secretaries II and IV posts were left vacant from 1960 and taken over by SCS officers in 1968.<sup>38</sup>

The creation of the post of State Commissioner of Lands and Mines or *Pesurohjaya Tanah dan Galian*, later renamed as State Director of Lands and Mines or *Pengarah Tanah dan Galian*, within the State establishment provided another example of Kedah's adherence to its notion of autonomy. On the basis of the Report of the Commission on Land Administration the NLC in 1958 recommended the reorganization of land administration in the Federation and in all the States through the appointment of a Federal Commissioner of Lands, renamed later as Federal Director of Lands, and a Commissioner of Lands and Mines in each State.<sup>39</sup> The State Commissioner of Lands and Mines was not, however, made formally responsible to the Federal Commissioner of Lands. The latter was made, formally, a chief adviser on technical matters regarding land to both the State Governments and State Commissioners of Lands and Mines. In addition, he was required to arrange meetings of all the State Commissioners of Lands and Mines at least once a year. The State Commissioner of Lands and Mines was made formally responsible to the Ruler-in-Council (that is, the Exco) for land administration within each State. He could be elected by the Ruler or Governor to attend State Exco and State Legislative Assembly meetings when land matters are to be discussed. The State Exco was empowered to determine the State Commissioner of Lands and Mines' responsibilities. Within the State bureaucracy the State Commissioner of Lands and Mines' position was below that of the State Secretary. However, in terms of formal access to the State Exco and the Ruler or Governor, his position was potentially similar to that of the State Secretary, State Financial Officer, and State Legal Adviser.

Land is a State subject. It was therefore in the States' interest to ensure that the officer appointed as the State Commissioner of Lands and Mines should be acceptable to the State and be committed to protect State interests over land. For States with their own SCS this might be ensured by appointing their SCS officers to ensure that such posts became and remained their exclusive preserve since this would increase the number, although only marginally, of Division I posts within the SCSs. Before the acceptance of the NLC's recommendation and also before Malayan

Independence, an MCS officer serving in each State bureaucracy held the post that had responsibilities over land administration.<sup>40</sup> The NLC's recommendation could thus be seen as an attempt, after Independence, to standardize land administration and policy through formally recognizing and continuing a system of land administration within which MCS officers played a crucial role before Independence. The Federal Commissioner of Lands' task was to work towards proper and reasonable working relations between the Central and State Governments on land matters through frequent Federal-State Commissioners' meetings.

By 1960 all the States had established the post of State Commissioner of Lands and Mines with the exception, inevitably perhaps, of Kedah.<sup>41</sup> Table 6.6 indicates this. In Kedah the pre-Independence MCS post of 'Adviser of Lands' was still listed as an MCS post but was left vacant until abolished in 1962.<sup>42</sup> Alongside this the post of Director of Lands was established and held by an SCS officer. This post, however, had a lower salary scale and was renamed State Commissioner of Lands and Mines only in 1967. As Table 6.6 indicates, only Kedah had this post continuously held by an officer of the State's own SCS. This assertion of 'autonomy' highlighted then as it does now the difference between Kedah and the former FMS, SS and, interestingly, also the other UMS.

In Pahang's case, as in the other States except Kedah, the PSD usually consults the Federal Commissioner of Lands over whom to appoint, from among PTD officers, as State Commissioner of Lands and Mines. Once appointed, these officers are primarily responsible to their respective State Governments. Being only an Adviser, the Federal Commissioner of Lands has no power to enforce any of the proposals submitted to the State Governments, even through the State Commissioners of Lands and Mines who are PTD officers. Nevertheless he tends to have a closer relationship with State Commissioners of Lands and Mines who are PTD officers compared with those who are SCS officers and seems to have more sway over the former because he can influence their promotion and mobility. These PTD officers serving as State Commissioners of Lands and Mines, as in Pahang, have to face two potentially opposing forces: State and Central interests in land policy and administration—a situation not encountered by the State Commissioner of Lands and Mines in Kedah.

Kedah's success in maintaining a semblance of administrative

TABLE 6.6  
A Comparison of Salary Scales for the Respective State Posts of  
'Commissioner of Lands and Mines' or 'Pesuruhjaya Tanah  
dan Galian', 1960-1975

<i>State</i>	<i>Salary Scale for State PTG Post, 1960</i>	<i>Subsequent Revision of Salary Scale</i>
Johore Kedah	MCS Superscale F MCS Superscale F  Kedah SCS Class IA (Director of Lands and Mines)	Upgraded Superscale E, 1974 (Adviser of Lands, Kedah) Post abolished, 1962  Renamed Commissioner of Lands and Mines, 1967; upgraded Superscale F, 1971
Kelantan Malacca Negri Sembilan	MCS Superscale F MCS Superscale H  MCS Superscale G	Upgraded Superscale E, 1974 Upgraded Superscale G, 1972  Assumed Superscale F, 1972 (personal to holder); upgraded Superscale F, 1974
Pahang	MCS Superscale G	Upgraded Superscale F, 1963; downgraded Superscale G, 1969; regraded Superscale F, 1970
Penang Perak Perlis	MCS Superscale H MCS Superscale F MCS Timescale	Upgraded Superscale G, 1972 Upgraded Superscale E, 1974 Listed in 1969 as Head Land Development Administra- tion; in 1972 renamed Ketua Rancangan Penyelesaian Tanah; not listed 1974
Selangor	MCS Superscale G	Assumed Superscale F, 1966 (personal to holder); up- graded Superscale E, 1974
Trengganu	MCS Superscale H	Upgraded Superscale G, 1966; upgraded Superscale F, 1975
Federal Territory	-	Post first listed in 1974, MCS Superscale G

Sources: Federation of Malaya, *Staff List*, Kuala Lumpur, Government Press, annually, 1957-63; Federation of Malaysia, *Staff List*, Kuala Lumpur, Government Press, annually, 1964-75; Kedah, *Estimates of Revenue and Expenditure*, Kuala Lumpur, Government Press, annually, 1960-70.

autonomy, small but significantly greater than the former FMS and SS, has not gone unnoticed. To criticisms that the Kedah State Government was employing only Kedahans as civil service officers, the *Mentri Besar*, Datuk Syed Nahar Shahabuddin, responded that such criticisms could affect the State's good name and create dissatisfaction among outstation officers serving or wanting to serve in Kedah. The State was actually having a shortage of technocrats that should have been seconded by the Central Government and would 'always welcome the services of MCS officers as long as they help us in speeding up the development projects'.<sup>43</sup> The *Mentri Besar* assured Central officers serving in Kedah that their services were indeed required and he hoped to create a better understanding between SCS and Central officers within the State bureaucracy. The relationship between the two sets of officers had at best been correct. As with Pahang, the Kedah Government insisted that seconded Central officers serve the State with loyalty and dedication.

### Size and Composition

Table 6.7 compares the respective sizes and composition of the Kedah and Pahang bureaucracies from 1960 to 1975. The size, in absolute numbers, of the Pahang bureaucracy increased at a faster rate than that of the Kedah bureaucracy; by 1966 it had more than equalled and by 1975 had outstripped that of Kedah. The total number of Divisions I and II posts in the administrative component in Kedah remained almost constant while that of Pahang increased from 1960 to 1975. While the administrative component in Kedah was bigger than that in Pahang, though the gap was progressively narrowed, the number of Division I posts in the administrative component of the former was less than that in the latter and only by 1972 was the number the same for both States.

As indicated in Chapter 4, States' control over the size and composition of the State establishments, with few exceptions, had been severely curtailed. State Governments can therefore increase the size of their establishments only in the lower salary levels of the State bureaucracies and not in the key administrative and higher salary levels. The exceptions apart, intergovernmental consultation, usually involving negotiation and bargaining, was necessary before the size and grading of posts within the State establishment could be increased and improved respectively.

TABLE 6.7  
The Kedah and Pahang State Bureaucracies: Size and Composition, 1960-1975

Division	Kedah				Pahang			
	Total	Malay Administrative Service	Malayan Civil Service	State Civil Service	Total	Malay Administrative Service	Malayan Civil Service	
					1960			
I	35	-	4 <sup>1</sup>	12	52	-	-	19
II	131	-	-	60	101	17	-	-
III	813	-	-	-	651	-	-	-
IV	973	-	-	-	523	-	-	-
Total	1,952	-	4 <sup>1</sup>	72	1,327	17	-	19
					1963			
I	48	-	2 <sup>1</sup>	12	53	-	-	20
II	150	-	-	60	94	19	-	-
III	1,001	-	-	-	1,145	-	-	-
IV	1,010	-	-	-	550	-	-	-
Total	2,209	-	2 <sup>1</sup>	72	1,842	19	-	20

		1966				1969			
I	31	-	2 <sup>1</sup>	12	73	-	-	-	23
II	160	-	-	60	117	18	-	-	-
III	1,650	-	-	-	1,419	-	-	-	-
IV	520	-	-	-	874	-	-	-	-
Total	2,381	-	2 <sup>1</sup>	72	2,483	18	-	-	23
		1966				1969			
I	51	-	-	12	51	-	-	-	24
II	162	-	-	61	162	18	-	-	-
III	1,722	-	-	-	1,722	-	-	-	-
IV	566	-	-	-	566	-	-	-	-
Total	2,501	-	-	73	2,754	18	-	-	24

(continued)

TABLE 6.7 (continued)

Division	Kedah		Pahang		
	Total Perkhidmatan Tadbir Am	Perkhidmatan Tadbir dan Diplomatik	State Civil Service	Total Perkhidmatan Tadbir Am	Perkhidmatan Tadbir dan Diplomatik
	1972 <sup>1</sup>				
I	61	-	23	92	23
II	206	-	50	805	28
III	625	-	-	881	-
IV	406	-	-	1,073	-
V	251	-	-	433	-
Total	1,549	-	73	3,284	28
	1975 <sup>2</sup>				
I	76	-	32	107	32
II	600	-	43	887	31
III	596	-	-	853	-
IV	502	-	-	1,043	-
V	267	-	-	488	-
Total	2,041	-	75	3,378	31

Sources: Pahang, *Estimates of Revenue and Expenditure*, Kuala Lumpur, Government Press, annually, 1957-75;

Kedah, *Estimates of Revenue and Expenditure*, Kuala Lumpur, Government Press, annually, 1957-75.

<sup>1</sup>Vacant.

<sup>2</sup>Totals exclude religious teachers.

<sup>3</sup>Totals include religious teachers.



TABLE 6.8  
Academic Qualifications of Officers of the Kedah State Civil Service

Scale	Academic Qualification of Officer			Number of Posts in Scale
	BA (Hons.)	BA	HSC (GCE 'A' Level) (GCE 'O' Level)	
Superscale C	1	-	-	1
Superscale E	-	-	-	1
Superscale F	-	1	-	2
Superscale G	-	3	-	6
Class IB	4	3	5	17
Timescale I	3	2	2	8
Timescale II	36	8	-	61 <sup>1</sup>
Total	44	17	7	96

Source: Kedah, State Administrative Staff List, 1 March 1980.

<sup>1</sup>Four posts vacant.

TABLE 6.9  
Academic Qualifications of Kedah State Civil Service Officers and the Year of Their Entry into the Service

Qualification	Year of Entry																													
	1952	'53	'54	'55	'56	'57	'58	'59	'60	'61	'62	'63	'64	'65	'66	'67	'68	'69	'70	'71	'72	'73	'74	'75	'76	'77	'78	'79	'80	
Degree																														
Honours																														
General																														
HSC (GCE 'A' Level)																														
SC (GCE 'O' Level)																														

Sources: Kedah, *State Administrative Staff List*, 1 March 1980; Federation of Malaya, *Staff List*, Kuala Lumpur, Government Press, annually, 1959-63; Federation of Malaysia, *Staff List*, Kuala Lumpur, Government Press, annually, 1964-71.

<sup>1</sup>Kedah SCS, entered MCS 1959.

<sup>2</sup>Kedah SCS, entered MCS 1962.

<sup>3</sup>Kedah SCS, entered MCS 1962.

<sup>4</sup>Kedah SCS, entered MCS 1964.

<sup>5</sup>Non-Malay Kedah SCS Officer, entered MCS 1968.

### **Entry Qualifications: The Administrative Services**

The entry requirements for the Kedah SCS are different from those for the PTD and PTA. Before Independence those eligible to apply for entry into the Kedah SCS were, in order of preference,

- (1) Malays born to Kedah parents,
- (2) Malays born outside Kedah,
- (3) Non-Malays born in Kedah, and
- (4) Others.

The Kedah SCS, however, is still very much a Kedah Malay preserve. In Pahang, only Malay officers of the PTD and PTA were normally seconded. Thus, the administrative element in the Pahang bureaucracy was, and remains, also exclusively Malay but also included non-Pahang Malays.

The qualifications of Kedah SCS officers ranged from Honours degrees to the Senior Cambridge (GCE 'O' Level). Table 6.8 illustrates this. Since 1976 all those accepted into the Kedah SCS had University degrees. Out of 27 accepted between 1976 and 1980, 24 had Honours degrees and 3 had General degrees. This change in the entry qualifications of those entering the Kedah SCS is illustrated by Table 6.9.

The entry qualifications for the PTD and PTA, officers of which make up the administrative element of Pahang's bureaucracy, were generally much higher than those for the Kedah SCS, at least before 1976. With the exception of those entering the PTD via promotion from the PTA or by application from the SCSs, PTD officers are increasingly recruited directly from among University graduates with Honours degrees. After Independence applicants to the MAS were required to have at least General degrees. In the mid-1970s, with the restructuring of the MAS into the PTA, the number of successful applicants with Honours degrees entering the PTA increased.

### **Posts and Salary Scales**

Similar posts exist within the administrative component of both Kedah's and Pahang's bureaucracy. In Kedah the posts of State Secretary, State Financial Officer, State Legal Adviser, State Pengarah Tanah dan Galian, District Officers, and State Director of Planning have always been held by Kedah SCS officers but in Pahang these posts have always been held by MCS/PTD officers. Tilman held that the 'posts usually filled by the State civil services

in the former Unfederated Malay States generally devolve upon personnel of the Malay Administrative Service in the States of the former FMS'.<sup>44</sup> However, officers of the Kedah SCS also hold most, if not all, of the senior administrative posts in the State while MAS/PTA officers hold only junior administrative posts in Pahang. The Kedah SCS is a Service that straddles Divisions I and II but the PTD and PTA are Divisions I and II Services respectively. There is a similarity in types of posts being held by the Kedah SCS officers and PTA officers. However, Kedah SCS officers also hold posts similar to those filled by PTD officers in Pahang. Tilman's statement must be rephrased to indicate that generally it is only the Division II posts held by the Kedah SCS officers which are also held by the MAS/PTA officers serving in Pahang. However, there is generally no similarity in the Divisional grades and salary scales for the same type of posts, as indicated by Tables 6.10 and 6.11.

Table 6.12 compares the salary scales of the Kedah SCS and those for the MCS and MAS which also apply to Pahang. The Superscale posts, according to classification, have the same nominal value in both Kedah and Pahang. In Kedah, below the Superscale posts, other Division I posts were classified as Class IA or Class IB posts. In Class IA salaries ranged from \$1,057 to \$1,141 per month in 1960 and changed in 1967 to the flat rate of \$1,254 per month. In Class IB salaries ranged from \$836 to \$1,032 per month in 1960 and were raised in 1967 to a range of \$1,094 to \$1,196 per month. These salary scales remained unchanged up to 1971.<sup>45</sup> In Pahang, apart from Superscale posts, the Timescale for the MCS ranged from \$592 to \$1,254 per month in 1960 and remained unchanged up to 1971.<sup>46</sup> Compared to Kedah's SCS Class IA and Class IB, the MCS's Timescale, although with a lower entry point, had the higher ceiling of \$1,254 per month, and only in 1967 did Class IA attain a similar value. Significantly, in Division I only Kedah's SCS Class IA and IB salary scales have been improved, bringing them nearer to the top of the MCS Timescale. However, the salary scales for the Kedah SCS and the MCS in Division I remained different in 1971.

The Division II Timescale posts in Kedah had salary scales ranging from \$280 to \$813 per month in 1960. In 1967 this scale was changed to \$310-\$1,014 per month and remained unchanged up to 1971. During the same period the Division II MAS salary scales, including Cadets and Timescale posts, ranged from \$415 to \$813

TABLE 6.10  
 Gradings and Salary Scales of Key Posts Held by Kedah State Civil  
 Servants within the State Administration of Kedah,  
 1960-1980

<i>Posts</i>	<i>Salary Scales (1960)</i>	<i>Subsequent Revision of Salary Scales</i>
<i>Division I</i>		
State Secretary	Superscale D	Upgraded Superscale C, 1980.
Adviser of Lands State Financial Officer	Superscale F Class IA	(Post abolished 1962) Upgraded Superscale H, 1967; and to Superscale G, 1980.
Director of Lands and Mines	Class IA	Upgraded Superscale F, 1971.
Assistant State Secretary	Class IA	Upgraded Superscale G, 1980.
2 District Officers	Class IA	One post upgraded Superscale F and the other Superscale G, 1980.
State Director of Planning		New post created 1980, Superscale G.
2 District Officers	Class IB	Both upgraded Superscale G, 1980.
<i>Division II</i>		
6 District Officers	Timescale	One post upgraded Division I, Superscale G, 1980; One post upgraded Division I, Class IB, 1964; Four posts upgraded Division I, Class IB, 1980. One new post created Division I, Class IB, 1980.

Sources: Kedah, *Estimates of Revenue and Expenditure*, Kuala Lumpur, Govern-  
 ment Press, annually, 1960-78; Kedah, *State Administrative Staff List*, 1 March  
 1980.

TABLE 6.11  
 Gradings and Salary Scales of Key Posts  
 Held by Malayan Civil Service Officers within  
 the State Administration of Pahang, 1960-1973

<i>Posts</i>	<i>Salary Scales (1960)</i>	<i>Subsequent Revision of Salary Scales</i>
<i>Division I</i>		
State Secretary	Superscale F	Upgraded to Superscale D, 1963.
State Financial Officer	Superscale H	Upgraded to Superscale G, 1970, and to Superscale F, 1973.
Director of Lands and Mines	Superscale G	Upgraded to Superscale F, 1963, downgraded to Superscale G, 1969, re-graded Superscale F, 1970.
<i>District Officers</i>		
Temerloh	Superscale H	Upgraded to Superscale G, 1970; upgraded to Superscale F, 1973.
Kuala Lipis	Superscale H	Upgraded to Superscale G, 1972.
Kuantan	Superscale H	Upgraded to Superscale G, 1973.
Bentong	Superscale H	Upgraded to Superscale G, 1973.
Cameron Highlands	Superscale H	Upgraded to Superscale G, 1972.
Pekan	Superscale H	
Raub	Superscale H	
Jerantut	Superscale H	
4 Assistant State Secretaries	Timescale	One post upgraded to Head Assistant State Secretary, Superscale G, 1973.
Assistant District Officers	Timescale	A further Assistant District Officer's post established in Division I, 1972.

*Sources:* Federation of Malaya, *Staff List*, Kuala Lumpur, Government Press, annually, 1960-3; Federation of Malaysia, *Staff List*, Kuala Lumpur, Government Press, annually, 1964-73.

TABLE 6.12

Revision of Salary Scales within the Malaysian Civil Service and the Malay Administrative Service (which apply to Pahang) in Comparison with Those of the Kedah State Civil Service, 1966, 1967, and 1971 (\$ per month)

Salary Scale	1966			1967			1971		
	Malayan Civil Service	Kedah State Civil Service	Malayan Civil Service	Kedah State Civil Service	Malayan Civil Service	Kedah State Civil Service	Malayan Civil Service	Kedah State Civil Service	
<i>Division I</i>									
Staff									
Appointment A	2,270	-	2,270	-	2,270	-	2,270	-	-
Staff									
Appointment B	-	-	-	-	-	-	-	-	-
Superscale A	1,970	-	1,970	-	1,970	-	1,970	-	2,100 <sup>1</sup>
Superscale B	1,850	-	1,850	-	1,850	-	1,850	-	1,970
Superscale C	1,760	-	1,760	-	1,760	-	1,760	-	1,850
Superscale D	1,670	-	1,670	1,670 <sup>1</sup>	1,670	1,670	1,670	1,670	1,760
Superscale E	1,580	-	1,580	-	1,580	-	1,580	-	1,670
Superscale G	1,430	-	1,430	-	1,430	-	1,430	-	1,580
Superscale H	1,360	-	1,360	-	1,360	1,360	1,360	1,360	1,430
Timescale	592-1,254		592-1,254		592-1,254		592-1,254		1,360
Class IA	1,057-1,141		1,057-1,141		1,057-1,141		1,057-1,141		1,254
Class IB	836-1,032		836-1,032		836-1,032		836-1,032		1,254 <sup>2</sup>
									1,094-1,196 <sup>2</sup>

(continued)

TABLE 6.11 (continued)

Salary Scale	1960		1966		1967		1971	
	Malay Administrative Service	Kedah State Civil Service	Malay Administrative Service	Kedah State Civil Service	Malay Administrative Service	Kedah State Civil Service	Malay Administrative Service	Kedah State Civil Service
<i>Division II</i>								
Timescale	415-813	280-813	430-1,014 <sup>1</sup>	280-813	430-1,014	310-1,014 <sup>2</sup>	310-1,014 <sup>3</sup>	310-1,014
and Cadets Timescale								

Source: Federation of Malaya, *Staff List*, Kuala Lumpur, Government Press, annually, 1960-3; Federation of Malaysia, *Staff List*, Kuala Lumpur, Government Press, annually, 1964-71; Kedah, *Estimates of Revenue and Expenditure*, Kuala Lumpur, Government Press, annually, 1960-71.

<sup>1</sup>First Revision.

<sup>2</sup>Second Revision.

<sup>3</sup>Third Revision.



per month in 1960. In 1966 this was changed to \$430-\$1,014 per month and in 1969<sup>47</sup> it was further revised to \$310-\$1,014 per month. Thus the salary scales of Division II posts in the Kedah SCS and Pahang MAS were made uniform. In 1971 the salary scales for both MAS and SCS Division II posts were essentially the same.

In Kedah, as Table 6.10 indicates, the posts of State Secretary, State Financial Officer, Pengarah Tanah dan Galian, Assistant State Secretary (1), and four District Officers were Division I posts but the other six District Officers' posts were Division II posts in 1960. In Pahang, however, in the same year these and four Assistant District Officer posts were Division I posts as Table 6.11 indicates. In 1960 only the State Secretary's post in Kedah was a Superscale post (D) while in Pahang the posts of State Secretary, State Financial Officer, Pengarah Tanah dan Galian, and eight District Officers were Superscale posts. Perhaps the most striking difference was in the Divisional grades between the posts of Kedah and Pahang District Officers and Assistant District Officers. As Table 6.10 indicates, the District Officers' posts in Kedah were gradually upgraded and by 1980<sup>48</sup> all the District Officers' posts were graded as Division I posts. The disparity in the grading of the District Officers' posts in Kedah (and also those of the former UMS) and those in Pahang (and also those of the former FMS) was due principally to the fact that before Independence the District Officers' posts in Pahang were held by British MCS officers while all the District Officers' posts in Kedah were held by Malay Kedah SCS officers. Then the Divisional grades and salaries of MCS officers were generally higher than those of Kedah SCS officers. Therefore, District Officers' posts held by the MCS officers in Pahang had higher grades and salaries than similar posts held by the Kedah SCS officers.

### **Upgrading of Posts and Promotion**

Upgrading of posts within the State bureaucracy necessarily involves joint Centre-State consultation since, as indicated in Chapter 4, upgrading would increase the financial liability of the Central Government. The Central Government, therefore, had an interest in and the power to block the upgrading of posts. This created some dissatisfaction. Kedah SCS officers viewed the Central Government's use of this power as an attempt, first, to limit their career prospects and, secondly, to undermine whatever ad-

ministrative autonomy that Kedah still enjoyed then. Upgrading of posts within the Kedah bureaucracy was crucial because it affected the SCS officers' career prospects which were already limited by the availability of only a few Division I posts with Superscale gradings.

On several occasions the Central Government had used this power. The controversy over the upgrading of the Pengarah Tanah dan Galian's post in Kedah provides an illustration. In 1960 (see Table 6.6) the Pengarah Tanah dan Galian's post in all the States, except those in Kedah and Perlis, was a Superscale post. The Kedah Pengarah Tanah dan Galian's post was a Class IA post, a grade with salary scales similar to the top ranks of the MCS Timescale, and only in 1971 was it upgraded to a Superscale F post. Interestingly in 1960 Kedah already had an 'Adviser of Lands, Kedah' post with Superscale F grading but it was designated as an MCS post. This post was 'allowed' to lapse in 1962 and with it went the Superscale F grade. Kedah failed to acquire and transfer this grade to the then Director of Lands post which subsequently became the post of Pengarah Tanah dan Galian.

The Central Government pursued a clear 'carrot and stick' ploy in the controversy over upgrading of posts within Kedah. Its bargain was that it would be willing to upgrade posts within the Kedah bureaucracy if the State was in turn willing to accept more Central officers. If Kedah were to accept this general principle then Central money, necessary for any upgrading of posts, would be made available. Regarding the Kedah Pengarah Tanah dan Galian's post, the Central Government proposed that this post should be upgraded to Superscale G, as in the other States, only if Kedah accepted this condition; that the Kedah SCS officer should hold the upgraded Pengarah Tanah dan Galian's post on a 'personal to holder' basis and on his retirement the post should be filled by an MCS officer. This represented short-term gain for the Kedah SCS but in the long term it would lose this post to the MCS, thus reducing the number of top posts and damaging what they viewed as State autonomy. A committee of the Kedah SCS Union viewed this as the process of attrition and rejected the proposal. The Kedah SCS Union succeeded in persuading the State Government to create a 'special allowance' for the Pengarah Tanah dan Galian's post so as to cover, somewhat, the difference between that post's salary and that offered by the Central Government.<sup>49</sup> Thus, the Central Government failed in what was viewed as its attempt to undermine State autonomy.

The Central Government's attempts to selectively upgrade other posts within Kedah provide further illustrations. The Kedah State Government had continuously requested upgrading of the District Officers' posts. These requests were reasonable since only four District Officers' posts, before 1980, were Division I posts while all of Pahang's District Officers' and several Assistant District Officers' posts were Division I posts. Additionally, if District Officers' posts were upgraded then Kedah would also be in a position to request the upgrading of Assistant District Officers' posts and perhaps even for the creation of more Assistant District Officers' posts as the result of this upward movement. The Central Government proposed that the District Officers' posts in Kedah should be upgraded but in return the Assistant District Officers' posts should be filled by either MCS or MAS officers. If Kedah had accepted this, the SCS would have lost such posts to Central officers, thus affecting the career prospects of junior officers of the SCS, and, moreover, the Kedah Government would have had to pay the salaries of these Central officers from the already limited State funds.<sup>50</sup> Since the Kedah Government rejected this proposal the Central Government implemented a selective policy of upgrading District Officers' posts gradually and not upgrading Assistant District Officers' posts.

Other significant differences between the Kedah and Pahang bureaucracies are in the scope and pace of promotion available to either the administrative officers of Kedah or Pahang. The highest post available to the Kedah SCS officers is the State Secretary's post, a Superscale C post in 1980. As Table 6.8 shows, in 1980 out of ninety-two posts in the Kedah SCS ten were Superscale posts; one each was Superscale C and E, two were Superscale F, and six were Superscale G. The promotion and career prospects for the administrative officers of Pahang, as PTD and PTA officers, are much wider. The respective Central Services that they belong to were and remain much larger in size than the Kedah SCS. Their promotion and career prospects, unlike those of Kedah SCS officers, are not confined to the State bureaucracy. They can be transferred to other State bureaucracies or to Central Ministries and Departments. The top post within the PTD is the Chief Secretary to the Government or Ketua Setiausaha Negara which is a Staff Appointment and below this are the Superscale A to G posts. PTA officers can apply to enter the PTD.

Table 6.13 compares the total number of Superscale posts out of the total number of posts within the MCS/PTD and the Kedah

TABLE 6.13  
 Total Number of Superscale Posts Compared to the Total Number of Posts within the Kedah State Civil Service and the  
 Malaysian Civil Service (Perkhidmatan Tadbir dan Diplomatik), 1960-1980 (Selected Years)

Salary Scale	1960		1963		1966		1969	
	Kedah State		Kedah State		Kedah State		Kedah State	
	Civil Service	Service	Malayan Civil Service	Service	Malayan Civil Service	Service	Malayan Civil Service	Service
Staff Appointment	3	-	2	-	2	-	2	-
Superscale A	3	-	3	-	2	-	4	-
Superscale B	1	-	2	-	7	-	8	-
Superscale C	4	-	8	-	8	-	7	-
Superscale D	20	1	19	1	28	1	37	1
Superscale E	-	-	4	-	-	-	1	-
Superscale F	36	-	38	-	50	-	61	-
Superscale G	12	-	9	-	8	-	8	-
Superscale H	36	-	49	-	79	-	115	1
Total Superscale	115	1	134	1	184	1	243	2
Total Posts	301	72	341	72	486	74	599	74
Ratio	1:2.6	1:72	1:2.5	1:72	1:2.6	1:74	1:2.5	1:37

Salary Scale	1971		1975		1980	
	Kedah State		Kedah State		Kedah State	
	Civil Service	Civil Service	Civil Service <sup>1</sup>	Civil Service	Civil Service	Civil Service
Staff Appointment	3	-	5	n.a.	n.a.	-
Superscale A	6	-	7			-
Superscale B	12	-	9			-
Superscale C	18	-	31			-
Superscale D	39	1	32			1
Superscale E	3	-	39			-
Superscale F	80	-	117			1
Superscale G	10	-	161			2
Superscale H	156	1	-			6
Total Superscale	327	2	401			10
Total Posts	793	74	1437			96
Ratio	1:2.4	1:37	1:3.6			1:9.6

Sources: Federation of Malaya, *Staff List*, Kuala Lumpur, Government Press, annually, 1960-3; Federation of Malaysia, *Staff List*, Kuala Lumpur, Government Press, annually, 1964-75; Kedah, *Estimates of Revenue and Expenditure*, Kuala Lumpur, Government Press, annually, 1960-71, Appendices; Kedah, *State Administrative Staff List*, 1 March 1980.

Note: n.a.-Not available.

<sup>1</sup>1975 MCS figures include only Home Service (PTD).

SCS. Between 1960 and 1971 the ratio of Superscale posts to total posts remained almost constant, at about 1 : 2.5, for the MCS while that for the Kedah SCS had improved from 1 : 72 to 1 : 37. By 1975 the ratio had worsened marginally for the PTD to 1 : 3.6 and by 1980 the ratio for the Kedah SCS had improved dramatically to 1 : 9.6. Nevertheless, on the whole, based on these ratios one could expect the pace of promotion for MCS/PTD officers to have been much faster because of the greater promotion opportunities compared to those for Kedah SCS officers.

Tables 6.14 and 6.15 respectively indicate the number of years taken by the MCS and Kedah SCS officers from first entry into their respective Services to occupy Superscale posts. Since most of the Superscale MCS officers in 1971 started service either in the MAS or the SCSs their length of Government service would be longer than indicated in Table 6.14. These former MAS and SCS officers had opted to join the MCS and benefited because of the larger number of Superscale posts. If the former SCS officers had remained in their respective SCSs their career prospects would have been limited. The Kedah SCS was and remains too small to provide the rapid promotion and that breadth of career prospects available within the PTD and PTA.

*Changes in Development Administration  
Introduced by the Central Government: Impact on  
and Responses of Kedah and Pahang*

The Central Government's role in national development had been strengthened by the States' poor finances and the fragmentation of powers in their areas of responsibility. National development efforts, as indicated in Chapter 5, require the harnessing of both Central and State bureaucracies. At the administrative level Kedah has a State officer system while Pahang has a Central officer system. The federal structure provided the former with legal protection. This limits the Central Government's legal access to it. However, the latter is not similarly protected and since it is part of the compliance structure of the Central bureaucracy the Central Government has direct legal access to it.

In development matters the Central Government, because of the federal structure, had to obtain access to State bureaucracies especially in the case of those with State officer systems such as Kedah. For only thus could it ensure that officers of such

TABLE 6.14  
 Mobility of Officers of the Malaysian Civil Service: Number of Years from Initial Entry into the Malaysian Civil Service Taken by 1971 Superscale Malaysian Civil Service Officers to Occupy Such Posts

Posts	No. of Officers	Years Taken to Occupy Such Posts															
		5	6	7	8	9	10	11	12	13	14	15	16	17			
Staff																	
Appointment	3																
Superscale A	4												1 <sup>a</sup>	1 <sup>a</sup>	1 <sup>a</sup>		1 <sup>a</sup>
Superscale B	11											1 <sup>b</sup>		1 <sup>a</sup>	1 <sup>a</sup>	1 <sup>a</sup>	1 <sup>a</sup>
Superscale C	12												1	1 <sup>a</sup>	3 <sup>a</sup>	2 <sup>a</sup>	1 <sup>a</sup>
Superscale D	36												1 <sup>b</sup>	3 <sup>d</sup>	1 <sup>a</sup>	1 <sup>b</sup>	1 <sup>a</sup>
Superscale E	1					1	2 <sup>a</sup>	1 <sup>a</sup>	6 <sup>a</sup>	7 <sup>bc</sup>	9 <sup>bc</sup>	1	4 <sup>cd</sup>	1 <sup>a</sup>	2 <sup>ab</sup>		1 <sup>b</sup>
Superscale F	59				1 <sup>b</sup>	4 <sup>b</sup>	3 <sup>ab</sup>	10 <sup>cd</sup>	19 <sup>d</sup>	14 <sup>cd</sup>	3 <sup>a</sup>	1	1 <sup>a</sup>				
Superscale G	12							1 <sup>a</sup>	5 <sup>a</sup>	4 <sup>a</sup>	1	1 <sup>a</sup>					
Superscale H	128	1 <sup>a</sup>	12 <sup>ab</sup>	54 <sup>bc</sup>	17 <sup>a</sup>	30 <sup>cd</sup>	6 <sup>a</sup>	3 <sup>ab</sup>	1 <sup>b</sup>	1 <sup>a</sup>	3 <sup>b</sup>			1 <sup>a</sup>			

Source: Federation of Malaysia, *Staff List, 1971*, Kuala Lumpur, Government Press, 1971.

- Note: (a) 1 Ex-PPM (MAS) (f) 8 Ex-SCS (k) 6 Ex-PPM  
 (b) 1 Ex-SCS (g) 4 Ex-PPM (m) 7 Ex-PPM  
 (c) 2 Ex-PPM (h) 4 Ex-SCS (o) 16 Ex-PPM  
 (d) 2 Ex-SCS (i) 5 Ex-PPM (p) 16 Ex-SCS  
 (e) 3 Ex-PPM (j) 5 Ex-SCS (q) 13 Ex-PPM

TABLE 6.15  
 Mobility of Officers of the Kedah State Civil Service: Number of Years from Initial Entry into the Service  
 Taken by 1980 Superscale Kedah State Civil Service Officers to Occupy Such Posts

Posts	No. of Officers	Number of Years Taken to Occupy Such Posts													
		12	13	14	15	16	17	18	19	20	21	22	23	24	25
Superscale C	1														1 <sup>1</sup>
Superscale E	1														1 <sup>2</sup>
Superscale F	2														
Superscale G	6	1 <sup>3</sup>			2 <sup>3</sup>	1 <sup>3</sup>	1 <sup>4</sup>		1 <sup>2</sup>		1 <sup>4</sup>				

Source: Kedah, State Administrative Staff List, 1 March 1980.

<sup>1</sup>Honours degree.

<sup>2</sup>Senior Cambridge.

<sup>3</sup>General degree.

<sup>4</sup>Senior Cambridge, with 8½ years' service prior to entry.

<sup>5</sup>Senior Cambridge, with 6½ years' service prior to entry.

<sup>6</sup>Senior Cambridge, with 11½ years' service prior to entry.



bureaucracies would comply with Central directives, especially on land matters. Land has always been vital to the Central Government's development plans. However, land and land administration are States' responsibilities.<sup>51</sup> The creation of the post of State Development Officer and the establishment of State- and District-level Development Committees as co-ordinating and monitoring mechanisms in each State are examples of Central Government attempts to gain access to State bureaucracies and bring State Government officers within its direct control.

The State Development Officer's post in each State is a Central post and paid for by the Central Government.<sup>52</sup> The post was established in 1959 under the directive of Tun Abdul Razak who was then the Deputy Prime Minister and Minister of Rural Development.<sup>53</sup> The State Governments' opposition to the State Development Officer's establishment, if any, was muted. Several reasons could be advanced. First, the State Development Officer's establishment was made on the initiative and directive of Tun Abdul Razak who, apart from being the Deputy Prime Minister and Minister of Rural Development, was the Deputy President of UMNO, the dominant partner within the Alliance Government at both Central and State levels. Since the Alliance then controlled all the State Governments, except those of Kelantan and Trengganu, the Deputy Prime Minister's directive could not be easily ignored. In the Alliance-controlled States, party political links were partly instrumental in persuading the State Governments to accept the Central Government's directive. However, in spite of the absence of similar links, the Kelantan and Trengganu Governments were not especially adverse to this Central directive. Second, the post was to be located in each State but not within the State Secretariats or placed within the State Establishment and it was to be paid for by the Central Government. Hence its establishment would not incur additional expenditure to the States. Opposition could have been more vociferous if State Governments, especially of States with their own SCSs, were required to establish the State Development Officer's post within the respective State Secretariats and Establishments and pay for it from State funds, while the Central Government retained the right to appoint MCS officers to such posts, in which case State Governments would have incurred additional expenditure and at the same time officers of the respective SCSs would be denied the opportunity of holding such posts. It is conceivable that had the post been placed within the State Secre-

tariat and Establishment SCS officers would have campaigned for this post to be held by one of them. It was bad enough to have a Central post and officer in their midst but it would be unbearable if this post and officer were anchored within the State Establishment. They could at least tolerate the former but would oppose the latter. Third, the States accepted the State Development Officer's establishment because they knew that Central money would be offered through his office for development purposes within the State. This was a substantial inducement since States lack adequate finances for development purposes. Finally, under the Agreement of 1957 the Central Government was not barred from establishing Central posts paid for from Central funds within each State.<sup>54</sup>

The establishment of the State Development Officers, State- and District-level Development Committees was also part of the Central Government's reorganization of development administration at the State level. In this the State Secretariats, considered inadequate for co-ordinating the development effort because of their lack of interest in the developmental departments, were bypassed. This reorganization was also a response to the need for decentralizing the management of development.<sup>55</sup> Tun Abdul Razak initiated this reorganization in order to improve the implementing capacity of the State bureaucracies which were both slow and cumbersome.<sup>56</sup> Through the State Development Officers, SRDCs, and DRDCs, the Ministry of Rural Development would get 'direct access to the local units despite the nation's federal structure, which gave the States responsibility for the District Officers and for land matters'.<sup>57</sup> In this way Tun Abdul Razak attempted also to 'bypass the archaic machinery of state government and put his men in a position to ride herd on the functional departments, federal and state, which are responsible for implementing projects at the state and district levels'.<sup>58</sup> To the Central Government the State Development Officer in each State was to be instrumental in expediting

... the implementation of projects through monitoring the progress with project implementation at state district levels, and by providing a 'trouble-shooting' capacity to identify bottlenecks to progress and to find ways and means for removing or getting around the impediments; and hold a watching brief over the activities of the state governments.<sup>59</sup>

This watching brief was aimed especially at the former UMS that have their own SCSs and, independent of the State Government,

the State Development Officer was to function as a kind of management audit.<sup>60</sup>

Resistance to this reorganization, which interfered with the State and District Officers' working conditions and schedules, came especially from SCS officers of the former UMS. Kedah SCS officers viewed this reorganization as an attempt by the Central Government to undermine the State's administrative autonomy and their own positions within the State bureaucracy. The fact that the State Development Officer was and remains a Central officer directly accountable to the Central Minister convinced them that its establishment had the clear aim of ensuring their compliance with Central directives on development matters. They viewed the establishment of this Central outpost within the State as an intrusion. In addition Central Government development plans, in the context of this reorganization, would make more vigorous demands on their time and energy as State and District officers: demands that came essentially from the Central Government rather than from the State Government. They faced these new demands with apprehension. Generally SCS officers, as Ness argued,

... simply preferred the relaxed office routine of the past [which] left considerable time for leisure. They would continue their old office hours even in the face of tight deadlines set by the Federal Ministry. Others felt that the Federal directives were not to be taken seriously unless backed by acceptance and urgent demands for compliance by the State Government.<sup>61</sup>

In the former UMS resistance from the SCS officers delayed the establishment of DRDCs and the actual implementation of development schemes. In contrast, there was no resistance from Central officers serving as District Officers and State officers in the former FMS. Pahang responded quickly to the Central directive of January 1960. The first meeting of the Pahang SRDC was held in March 1960 with all of its DRDCs following in quick succession.<sup>62</sup> However, the Kedah SRDC had its first meeting at the end of May 1961 but it was June and July 1961 before most of its DRDCs were functioning. The different speeds with which Pahang and Kedah responded to the Central directive reflected the variation in access that the Central Government had to the mechanisms of control of the Central and State officer systems of Pahang and Kedah respectively.

The federal structure provided legal protection to officers of the State officer system and thus the material rewards available to these

officers were not directly accessible to and controlled by the Central Government. This was reinforced by a high degree of social insulation which resulted from the fact that officers of the State officer systems were members of a self-sustaining, close-knit organization and subcultural group in each State. They were confident and secure about their high status and position within the State. Their already high status probably sustained their high degree of social cohesion and separateness. In Kedah this could be indicated by the number of officers in the Kedah SCS who were from well-known or high-status families.<sup>63</sup> Table 6.16 indicates that between 1960 and 1967 the number and percentage of officers from such families, although declining, made up a substantial minority within the SCS. Homogeneity in background was quite widespread. Even though there were SCS officers who did not belong to such families, they as Kedahans would tend to identify with the separateness and cohesion generated by the SCS as an organization especially in situations of contact with officers of Central organizations. The high-status occupational position of officers of the State officer system within the bureaucracies of the former UMS was the result of their prior high family status and, as Ness concluded,

Thus their status in their local communities was not determined directly by their jobs, which essentially made the occupational position less critical for them. Further their self-images as ruling elites and bureaucrats was amply protected by their close association with other officers. In these two ways, the indigenous officers were insulated from their jobs as instruments of diffuse control. They consequently did not take seriously the directives from Kuala Lumpur that set ambitious schedules for them to meet in preparing local development plans.<sup>64</sup>

The situation of officers of Central officer systems was different. The Central Government had legal power over them with regard to their position within both the Central and State bureaucracies. They did not belong to a subcultural group within each State. They did not share a homogeneous background of high family status. Recruited from all parts of the Federation, they belonged, instead, to a Central organization that was, in principle, essentially based on the achievement criterion. Their occupational position within the Central organization defined their achieved status, position, and self-image. As officers of the Central officer system within the bureaucracies of the former FMS they were more effectively controlled by the formal hierarchy of the Central organization

TABLE 6.16  
Kedah State Civil Service: Number of Officers from Well-known or High-status Families, 1960-1967

Year	Total Number of Kedah State Civil Service Officers (a)	Number of Officers from Well-known Families (b)	(b) as a Percentage of (a)	Number of Top Division I Posts (d)	Number of Officers from Well-known Families in Top Division I Posts (e)	(e) as a Percentage of (d)
1960	67	27	40.3	12	7	58.3
1961	70	24	34.3	12	6	50.0
1962	66	23	34.8	12	5	41.7
1963	65	22	33.8	12	4	33.3
1964	73	24	32.9	14	6	42.9
1965	67	22	32.8	14	5	35.7
1966	63	19	30.2	13	4	30.8
1967	64	17	26.6	13	4	30.8

Source: Kedah, *Estimates of Revenue and Expenditure*, Kuala Lumpur, Government Press, annually, 1960-7, Appendix II.

within which their occupations were set. For them there was no conflict between bureaucratic and subcultural loyalties. With a Central officer system Pahang did not have the same degree of legal protection and social insulation from the Central Government that was available to the State officer system of Kedah. The legal protection and social insulation of the latter had to be breached if similar co-operation was to be obtained by the Central Government from the State and Central officer systems of Kedah and Pahang respectively.

The Alliance-controlled State Governments could not afford to ignore the development policies of the Alliance-controlled Central Government. Tun Abdul Razak's political argument as expressed to State Governments, to quote Ness,

... was simple and direct; it was made privately to them on a number of occasions and was constantly reinforced in the public discussion of politics and elections carried by the press. The Minister argued that the government would stand or fall as a result of this development program. If State leaders wanted to continue to be elected, they must ensure that their bureaucratic functionaries give full support to the development program.<sup>65</sup>

Clearly, the survival of the Alliance-controlled Central and State Governments depended on the successful implementation of the Central Government's development plans. If State political leaders failed to ensure the full co-operation of their bureaucratic functionaries they would lose the confidence of Central political leaders and, since their political careers depended on retaining this confidence, this would damage their political careers. It would thus be in the States' leaders' interest to ensure the co-operation of their State civil servants. In this way the party machinery was instrumental in undermining the legal protection that protected the officers of the State officer system.

Tun Abdul Razak's personal commitment to and identification with Central development efforts were shown in his frequent on-the-spot inspection of development projects in progress. In this he came into face-to-face contact with State civil servants. Such contacts weakened the social insulation of State officers and made them vulnerable to Tun Abdul Razak's powers, both traditional by virtue of being a member of the traditional ruling class and democratic in his capacity as a democratically elected leader. Thus, even though the Kedah State civil servants were beyond the Central

Government's or its Ministers' direct control, Tun Abdul Razak's penchant for unannounced on-the-spot inspection of any District Office had engendered anxiety and uneasiness among the State and District Officers. They did not want to be publicly reprimanded for their inefficiency and to have it reported that their districts were not efficiently administered.<sup>66</sup> He was also involved initially in selecting the MCS officers for the posts of State Development Officers. He would choose those he thought the brightest and most committed to pursuing national development goals. Normally, the State Development Officers are appointed by the PSD from among PTD officers of the Implementation Co-ordination Unit (ICU) on the advice of the Director-General of the ICU.

The State Development Officer was meant to be the Centre's man on the spot in each State: the Centre's trouble-shooter in each State. Located strategically within the SRDC as its executive secretary, with power over the disbursement of substantial amounts of Central money for development purposes in each State, the State Development Officer was in a position to exert considerable power. In addition, he, through the SRDC, had direct access to the State political leadership and State Government, and, through the Director-General of the ICU and then Central Ministers, he had access to the top Central political leadership.

Through regular meetings of all State Development Officers the Central Government kept track of the implementation of development plans at the State level. These meetings were held at least once in six months and sometimes as often as once in three months. Tun Abdul Razak sometimes chaired the meetings, although normally they were chaired by the Director-General of the ICU who would then report to Tun Abdul Razak or to the Prime Minister. At these meetings the State Development Officers were frequently reminded of their obligation and duty to the Central Government concerning development matters. Such reminders were thought necessary since they would come under tremendous pressure at the State level to acquiesce to the State line. The last thing the ICU or the Prime Minister wanted was a State Development Officer 'captured' by the State. Such pressures and the political problems affecting the implementation of development plans were usually reported to the Director-General of the ICU, and through him to the Prime Minister. In this way State pressures and the political problems were redirected to the political level and were usually discussed at the PM/MBs/CMs Conferences.<sup>67</sup>

At the meetings of State Development Officers, each Officer would submit progress reports on his State for discussion and where projects were making slow progress the Director-General of the ICU would personally intervene. The States were consulted in the preparation of such reports. At one of the meetings Tun Abdul Razak advised the State Development Officers not to be timid in the exercise of their duties and urged them to take the initiative in solving problems encountered in the State. He stated that 'You don't have to wait until I make a visit to your area to pass on your problems to me. . . . All problems should be solved immediately at state level. If this is not possible, they should be forwarded to the Implementation, Co-ordination, and Administrative Development Division.'<sup>68</sup> The effect of the State Development Officers' direct access to both State and Central political leaders, especially when Tun Abdul Razak was the Deputy Prime Minister and later the Prime Minister, was to provide them with political muscle within the State.

The State Development Officer co-ordinated the implementation of development plans at the State level in two ways: as the executive secretary of the SRDC and as chairman of the meetings of all District Officers and State department heads. In Kedah all the District Officers were SCS officers but in Pahang they were PTD officers. The State department heads in both Kedah and Pahang were officers of Central professional and technical Services. The State Development Officer thus had to work with and obtain the co-operation of the community of State officers of the SCS as well as Central officers in Kedah, but simply the community of fellow Central officers in Pahang. Mohamad Nor Abdul Ghani, perhaps suggesting that it made no difference whether District Officers were members of the Central or State community of officers, argued that

Since the ICU has the State Development Officer and the District Officers under its direct control, it can acquire direct feedback information on development progress at the State and District level for a more effective monitoring of such development. Such feedback is not obtained through a formal and standardized reporting system, but rather through ad hoc reports and regular meetings, often chaired by the Prime Minister himself.<sup>69</sup>

The problem was whether the State officers of Kedah would respond in the same way as the Central officers of Pahang to Central



directives channelled through the State Development Officers. Central officers, although in principle responsible to the State within which they served, tended to be more sensitive to Central needs and policies. This tendency could be explained by the fact that their terms and conditions of service, and especially their promotion chances, were determined essentially at the Central level by the Central Government. State officers of Kedah, conscious of their separateness and cohesion as members of a State organization, did not share this tendency.

As the chief administrator for development matters in each State the State Development Officer faced two important and recurrent problems. These concerned the relationship between the State Development Officer and District Officers and the former's status in 'his' State. On the former, the important question was whether the State Development Officer could direct District Officers, especially those who belonged to SCSs as in Kedah. On the latter, the important question concerned the status of the State Development Officer in the State and his relations with the State Secretary who had overall responsibility over State administration. These problems and related questions emerged because the post of State Development Officer was not listed within the State Constitution. Hence the State Development Officer's relationship with the State Secretary and other State officers, his areas of jurisdiction, and the identity of his ultimate master concerning his activities in the State were largely undefined. The potential for conflict was considerable. Through the State Secretary the District Officers were formally responsible to the *Mentri Besar*/Chief Minister but in the implementation of development policies they were made responsible and subordinate to the State Development Officer.<sup>70</sup> The situation was rather more complex and troublesome especially since State Development Officers were appointed primarily as watchdogs over the implementation of Central development projects at the State level. Their effectiveness depended on the willingness of State officers, especially those who belonged to SCSs as in Kedah, to accept their role in each State. As indicated earlier, the State Development Officer could use his considerable political power, based on his links with both Central and State political leaders, to ensure that District Officers and State officers complied with Central directives on development matters. But the State Development Officer could resort to this power only sparingly because its frequent use would not only sour his relations with the State civil

servants but would also indicate his failure to win their ungrudging co-operation. The activities of the State Development Officer within the State were viewed with considerable apprehension. Most feared was his 'independence' within the State which was strengthened by his direct link to the Centre. To undermine this and exercise some form of control over his activities in the State, Kedah, among others, suggested that any communication from the State Development Officer to the ICU or a Central Ministry concerned with development should be made through the State Secretary.<sup>71</sup> The ICU, with the Prime Minister's backing, refused to accept this proposal. In Pahang, the State Development Officer, working within a community of fellow Central officers, had a more comfortable existence.

The State Development Officer's power within each State rested to a large extent on the strength of his relations with the *Mentri Besar*, on the one hand, and with Central leaders, on the other. In Kedah, because of the State officer system, if action had to be taken against a recalcitrant and negligent State civil servant the State Development Officer could do two things: either persuade the *Mentri Besar* to take action, or make a report to his Central superior who could then convince the Prime Minister that disciplinary action was necessary. Through the party machinery the Prime Minister would be in a position to persuade the *Mentri Besar* to take the necessary disciplinary action. In this case Centre-State party relations would be crucial.<sup>72</sup> In both cases the *Mentri Besar* would then, through the State Secretary, have to take such action if he was sufficiently convinced or persuaded. The *Mentri Besar*, however, had to tread carefully because the smooth working of the State administration depended on the co-operation of the State civil servants. The Kedah *Mentri Besar* had occasionally reminded and warned State civil servants of their duty to serve the elected State Government. On one such occasion the *Mentri Besar*, Datuk Syed Nahar Shahabuddin, speaking at a meeting of Heads of State Government Departments, advised State civil servants to take State Government directives without question. He said that many problems in Kedah could be overcome if Government officers were dedicated and loyal to the *Barisan Nasional* State Government and warned that 'action would be taken against these Government servants who fail to toe the line of the party in power'.<sup>73</sup>

### *Conclusion*

The different nature of British administrative participation in Malaya sustained the tradition of administrative autonomy in Kedah but engendered a tradition of administrative dependence on the Centre in Pahang. The Independence Constitution provided for the continued existence of the Kedah SCS but it did not provide for the establishment of a Pahang SCS. The Constitution, thus, failed to provide for the standardization or equalization of the administrative status between Pahang and Kedah. Several attempts by the Central Government since Independence to achieve this through federalizing the Kedah SCS have failed.

The Kedah SCS, protected by the federal structure, provides Kedah with a certain degree of administrative autonomy. Pahang has had to depend on seconded Central officers who are naturally inclined to be favourable towards Central policy needs and goals. On the administrative level, State policies are executed by SCS officers in Kedah but by seconded Central officers in Pahang.

Kedah SCS officers, as members of a State organization, have developed and sustained a sense of separateness and cohesion. This has been especially heightened during situations of contact with the Central Government (over the federalization plans) or with Central officers (over the execution of Central development plans) and in their struggle to protect and enhance their career prospects within the State bureaucracy. The significance of the existence of the SCSs has sometimes been underestimated. For example, according to Esman, 'The smooth working relations between the States and the Centre that characterized West Malaysia since Independence can be attributed to two factors: the key position of the MHFS and members of other federal services in the state administrations and control of all state governments save one by the Alliance Party.'<sup>74</sup> As far as Pahang is concerned this statement, on the whole, may well be accurate. However, as far as Kedah is concerned the statement is misleading since no MHFS officers held key positions within the State administration, and neither did any PTD officers later. What provides for the qualitative difference in the organization of the State bureaucracy in Kedah in contrast to that in Pahang is the existence of the relatively autonomous Kedah SCS whose members tenaciously cling to their sense of separateness and cohesion.

1. W. G. Maxwell and W. S. Gibson, *Treaties and Engagements Affecting the Malay States and Borneo*, London, J. A. S. Truscott & Sons, Ltd., 1924, p. 88. See also Sharom bin Ahmat, 'Transition and Change in a Malay State: A Study of the Economic and Political Development of Kedah, 1879-1923', Ph.D. thesis, University of London, 1969, pp. 159-60 and Chapter 6.
2. W. R. Roff, *The Origins of Malay Nationalism*, Kuala Lumpur, University of Malaya Press, 1967, p. 94.
3. *Annual Report of the Adviser to the Kedah Government, 1909-1910*, Federated Malay States Government Printing Office, 1910, p. 13.
4. Anderson's despatch to the Earl of Crewe as quoted in Sharom, *op. cit.*, pp. 255-6.
5. The 1923 Treaty formally defined the relationship between the British Adviser and the Kedah Government. See Maxwell and Gibson, *op. cit.*, pp. 102-5 and 134-5.
6. Roff, *The Origins of Malay Nationalism*, p. 251.
7. S. W. Jones, *Public Administration in Malaya*, London, Royal Institute of International Affairs, 1953, pp. 92-4. See also V. Purcell, *The Memoirs of a Malayan Official*, London, Cassell, 1965, p. 160.
8. Sharom, *op. cit.*, p. 303, n. 1.
9. M. Puthuchery, *The Politics of Administration: The Malaysian Experience*, Kuala Lumpur, Oxford University Press, 1978, p. 15.
10. Maxwell and Gibson, *op. cit.*, pp. 28-30, 36, 63, and 66-8. In Pahang, resistance to British control led to the revolt of 1891-2. See C. D. Cowan, *Nineteenth Century Malaya: The Origins of British Political Control*, London, Oxford University Press, 1962, p. 270.
11. N. Ginsburg and C. F. Roberts, Jr., *Malaya*, Seattle, University of Washington Press, 1958, p. 428.
12. As quoted in Roff, *The Origins of Malay Nationalism*, pp. 13 and 94.
13. Maxwell and Gibson, *op. cit.*, pp. 70-1. Centralized departments for such matters as finance, public works, lands and mines, agriculture, and police were established.
14. Roff, *The Origins of Malay Nationalism*, pp. 21-2. According to Purcell the MCS was formed in 1906 with the merging of the Malay States Civil Services and the Settlement Civil Services. Purcell, *The Memoirs of a Malayan Official*, pp. 290-1. See also R. O. Tilman, *Bureaucratic Transition in Malaya*, Durham, N.C., Duke University Press, 1964, p. 46, n. 23. According to Allen, the title 'Malayan Civil Service' was invented only in 1919. See J. de Vere Allen, 'Malayan Civil Service, 1874-1941: Colonial Bureaucracy/Malayan Elite', *Comparative Studies in Society and History*, Vol. 12, No. 2 (1970), pp. 150-1.
15. Cowan, *Nineteenth Century Malaya*, pp. 270-1. See also R. Emerson, *Malaysia: A Study in Direct and Indirect Rule*, New York, Macmillan, 1937, p. 137.
16. See J. S. Sidhu, 'British Administration in the Federated Malay States, 1896-1920', Ph.D. thesis, University of London, 1975, p. 113. For a discussion on the increasing establishment of Central departments and the federalization of several State departments in the States of the FMS, see P. L. Burns, 'The Constitutional History of Malaya with Special Reference to the Malay States of Perak, Selangor, Negeri Sembilan and Pahang, 1874-1914', Ph.D. thesis, University of London, 1965, Chapters 6-7.
17. Emily Sadka, *The Protected Malay States, 1874-1895*, Kuala Lumpur, University of Malaya Press, 1968, p. 379.

18. Emily Sadka, 'The Colonial Office and the Protected Malay States', in J. Bastin and R. Roolvink, eds., *Malayan and Indonesian Studies: Essays Presented to Sir Richard Winstedt on His Eighty-fifth Birthday*, Oxford, Clarendon Press, 1964, pp. 186-7. See also Burns, *op. cit.*, Chapters 5-6. The principle of non-interference by British administrators in each State was part and parcel of, and by then the myth of, a British Resident system based on 'advice'.

19. Jones, *op. cit.*, p. 90; Puthuchery, *op. cit.*, p. 11; Roff, *The Origins of Malay Nationalism*, pp. 104-9; R. O. Tilman, 'The Malay Administrative Service, 1910-1960', *The Indian Journal of Public Administration*, Vol. 7, April-June 1961, pp. 145-57.

20. K. K. Ghosh, *Twentieth-century Malaysia: Politics of Decentralization of Power, 1920-1929*, Calcutta, Progressive Publishers, 1977, pp. 144-52.

21. See Sidhu, *op. cit.*, pp. 323-4; Puthuchery, *op. cit.*, pp. 11-12; Allen, 'Malayan Civil Service', pp. 176-8; Jones, *op. cit.*, p. 90; and Nordin Selat, *Kelas Menengah Pentadbir Melayu*, Kuala Lumpur, Utusan Melayu (M) Bhd., 1976, pp. 130-1, 144-6.

22. The theme of loyalty to the State of Kedah among members of the Kedah SCS was frequently raised in interviews not only with Kedah civil servants but also with Central civil servants who saw this as unnecessary and unhealthy parochialism.

23. Most of the Kedah SCS officers did not like the idea of being uprooted from Kedah. They felt that through integration with the Central Services they could be transferred to other States. They did and still do exhibit a strong sense of commitment to Kedah.

24. *Straits Times*, 18 August 1975.

25. Through the Suffian Report of 1969 and two subsequent Cabinet Committee Recommendations of 1976 and 1980.

26. Pahang PSC, *Annual Report, 1962*, p. 1. The Pahang PSC comprises the Chairman and three other members. They are appointed by the Sultan on the Mentri Besar's advice for a three-year term.

27. Articles 132(1), 134(1) and (2), and 139(1) of the Constitution.

28. Article 144(1) of the Constitution.

29. Undang-Undang (Pindaan) Surohanjaya Perkhidmatan Awam Negeri, 1967 (Enactment Bill 7/1967). See Pahang PSC, *Penyata Tahunan, 1967*, p. 1. The Board assumed its functions on 15 December 1968. See Pahang PSC, *Penyata Tahunan, 1968*, p. 1.

30. Pahang PSC, *Penyata Tahunan, 1969*, p. 1.

31. Kedah, *State Public Service Commission Enactment, 1959*, Section 8 (1).

32. *Ibid.*, Sections 2(2)(e) and 3(2). The State PSC comprises a Chairman and not less than two and not more than three members. They are appointed by the Ruler acting in his discretion but after considering the advice of the Mentri Besar. The Chairman is appointed from among members of Kedah's SCS or from members of the Central judicial and legal service, Central general public service, or the joint public services. See Article 132(1)(b), (c), (f) and (g) of the Constitution. In Pahang a similar procedure applies in the appointment of the State PSC's Chairman. However, since Pahang does not have its own SCS from among whose officers can be appointed the PSC's Chairman, it therefore must depend on members of the Central Service.

33. Article 144 of the Constitution. See also *The Laws of the Constitution of Kedah: Incorporating All Amendments up to the 21st June 1962*, Kuala Lumpur, Government Press, 1963, Article 36, and *The Constitution of the State of Pahang*:

*Incorporating All Amendments to the 22nd of August 1962*, Kuala Lumpur, Government Press, 1963, Part II, Articles 11-13.

34. L. A. Sheridan, *Malaya and Singapore, the Borneo Territories: The Development of Their Laws and Constitutions*, London, Stevens & Sons, 1961, p. 88.

35. The State Legal Adviser's post in Kedah and Pahang is filled by a seconded officer of the Central Judicial and Legal Service.

36. *Malay Mail*, 12 January 1976.

37. *Ibid.*

38. These two posts were still designated as Central posts up to 1970 in the Federation of Malaysia, *Staff List, 1970*, Kuala Lumpur, Government Press, 1970. See also Kedah, *Estimates of Revenue and Expenditure, 1968*, Kuala Lumpur, Government Press, 1968, Appendix.

39. Mesyuarat Majlis Tanah Negara (National Land Council Meeting), Kertas 3/1958. See Federation of Malaysia, *Resolusi-Resolusi Majlis Tanah Negara, 1958-1978*, Kuala Lumpur, Government Press, 1980, p. 5, (a) and (b).

40. See Federation of Malaya, *Staff List, 1st January 1957*, Kuala Lumpur, Government Press, 1957.

41. Federation of Malaya, *Staff List, 1st January 1960*, Kuala Lumpur, Government Press, 1960.

42. Federation of Malaya, *Staff List*, Kuala Lumpur, Government Press, 1960-2; Kedah, *Estimates of Revenue and Expenditure*, Kuala Lumpur, Government Press, 1960-2, Appendix 2; Kedah, *Estimates of Revenue and Expenditure, 1967*, Appendix 2.

43. *New Straits Times*, 28 June 1979.

44. Tilman, *Bureaucratic Transition in Malaya*, p. 82, n. 1.

45. By 1980 all Class IA posts had been upgraded to Superscale G or above and Class IB salary scales ranged from \$1,805 to \$2,205. See Kedah, *State Administrative Staff List, 1 March 1980*.

46. In 1972 the MCS Timescale was changed. See Federation of Malaysia, *Staff List, 1972*, Kuala Lumpur, Government Press, 1972.

47. In 1969 the MAS was divided into two schemes: Scheme A (\$430-\$1,014 per month) and Scheme B (\$310-\$1,014 per month).

48. Kedah, *State Administrative Staff List, 1980*. The upgrading of District Officers' posts in Kedah was undertaken by the 1976 Cabinet Committee Salary revision.

49. This 'special allowance' had to be paid for from State funds by the State Government. By giving this allowance, however, the basic salary of the Kedah Pengarah Tanah dan Galian was not increased and since there was no upgrading the Central Government could not use Article 112 to block this allowance. Its effect, however, was to provide the Pengarah Tanah dan Galian with more money. However, the other former UMS accepted Central officers to fill the post in their respective States.

50. Since these posts were within the State Establishment, the operating expenditure was met from State funds.

51. In each State land administration is headed by the State Director of Lands and Mines or the Pengarah Tanah dan Galian. At the District level the District Officers are responsible for land administration and in this they are responsible to the State Pengarah Tanah dan Galian. In Kedah the Pengarah Tanah dan Galian and District Officers belong to the State officer system. In the former UMS the

District Officers belong to their respective State officer systems with seconded Central officers holding the respective State Pengarah Tanah dan Galian's post. In all the other States, as in Pahang, these posts are held by officers of the respective States' Central officer system. The Centre's land development projects require the co-operation of State Governments and State officers involved in land administration.

52. This post was originally that of the Rural Industrial Development Authority's (RIDA) State Rural Development Officer. It was simply replaced by the post of State Development Officer when it was created by the newly formed Ministry of Rural Development. This Ministry also assumed the co-ordinating function for which RIDA had previously been responsible. See G. D. Ness, *Bureaucracy and Rural Development in Malaysia: A Study of Complex Organizations in Stimulating Economic Development in New States*, Berkeley and Los Angeles, University of California Press, 1967, p. 145, n. 5.

53. M. J. Esman, *Administration and Development in Malaysia: Institution Building in a Plural Society*, Ithaca and London, Cornell University Press, 1972, p. 101. The State Development Officer was initially attached to the Ministry of Rural Development, then to the Ministry of National and Land Development, in 1972 to the ICDAU, and now to the ICU. Each State has to approve the State Development Officer's appointment and usually the State would insist that the Central officer appointed should be from the State where he is to be posted. This was meant to ensure the State Development Officer's commitment to the State within which he serves. Nevertheless, these officers are still viewed with suspicion and considered as 'Central' men.

54. Interviews with Kedah civil servants and Central civil servants. See Tilman, *Bureaucratic Transition in Malaya*, Appendices A and B.

55. Colin Bruce, 'Strengthening the States' Planning and Implementation System', State Rural Development Project, Economic Planning Unit, Prime Minister's Department, 15 January 1979, p. 3.

56. Tun Abdul Razak was personally committed to this reorganization and he emphasized the role of the State Development Officers and their offices within it. Thus the State Development Officers were always attached to the Ministry over which he had control and when he became Prime Minister in 1971 the State Development Officers were transferred from the Ministry of National and Rural Development to the Prime Minister's Department. Within the Prime Minister's Department the State Development Officers came initially under ICDAU and finally, in 1975, under the ICU.

57. Ness, *Bureaucracy and Rural Development in Malaysia*, p. 144.

58. Esman, *Administration and Development in Malaysia*, p. 137.

59. Bruce, *op. cit.*, p. 4.

60. *Ibid.*, pp. 16 and 25.

61. G. D. Ness, 'The Malayan Bureaucracy and Its Occupational Communities: A comment on James de Vere Allen's "Malayan Civil Service, 1874-1941"', *Comparative Studies in Society and History*, Vol. 12, No. 2, 1970, p. 183.

62. Ness, *Bureaucracy and Rural Development in Malaysia*, p. 162.

63. These families were usually titled and were locally held to belong to the ruling class. They included the 'Tunku', 'Syed', and 'Wan'. In Malay society those who claim descent from the Prophet are recognized by the honorific title 'Syed' which confers status equal to that of a Raja of Royal descent. See J. M. Gullick,

*Malaysia: Economic Expansion and National Unity*, London, Ernest Benn, 1981, p. 40. 'Tunku' have Royal descent and 'Wan' is a title awarded by the Sultan which is passed down to one's descendants.

64. Ness, 'The Malayan Bureaucracy and Its Occupational Communities', p. 184.

65. *Ibid.*, p. 165.

66. For an account of one such case involving a District Officer in a State officer system, see Ness, *Bureaucracy and Rural Development in Malaysia*, pp. 164-5.

67. At the PM/MBs/CMs Conferences the Prime Minister is advised by the Director-General of the ICU and other relevant Directors-General of Ministries, and Mentri Besar and Chief Ministers are advised by their State Secretaries. Interestingly, since 1978 the State Development Officers have also been attending these meetings. This indicates the growing importance of development matters and the State Development Officers' attendance has been used to emphasize their close links with the Central administrative and political leaders.

68. *Straits Times*, 17 August 1973.

69. Mohd. Nor Abdul Ghani, 'Evaluation Techniques in Malaysia', Socio-Economic Research and General Planning Unit, Prime Minister's Department, Kuala Lumpur, Paper presented to the UN Educational, Scientific and Cultural Organization Regional Seminar on the Application of Evaluation Techniques, Kuala Lumpur, 26-30 November 1979, p. 15.

70. Development Administration Unit, 'Land Administration—Some Critical Areas', Prime Minister's Department, Kuala Lumpur, 1968 (mimeo.), p. 2.

71. Kedah's suggestion was generally supported by Johore, Kelantan, and Trengganu. These States were alleged to be feet-dragging in the implementation of development programmes.

72. Not surprisingly successive State Development Officers posted to PAS-controlled Kelantan had complained that they encountered difficult working conditions.

73. *The Star*, 16 July 1978.

74. Esman, *Administration and Development in Malaysia*, p. 92. MHFS referred to the Malaysian Home and Foreign Service. This was the reorganized MCS and the MHFS was later renamed the Malaysian Administrative and Diplomatic Service (MADS) or Perkhidmatan Tadbir dan Diplomatik (PTD).



## Political Parties and Federalism: Development of the Argument and the Peninsular Malaysian Case

POLITICAL parties and party systems respectively embody, foremost, relations of power and influence within and between parties. Within parties these relations may be inexorably shaped by Michels' 'iron law of oligarchy' or, conversely, by Eldersveld's<sup>2</sup> 'balkanization'. These relations are centralized and concentrated at the top of the parties in the hands of a single leadership corps, in the case of the former, or are decentralized and fragmented at the different levels of the parties, in the case of the latter. The reality may well be a mix of the two and characterized by interdependence between the top and lower levels of the parties. The power relations between parties cannot simply be assessed by counting the number of parties in the party system.<sup>3</sup> This must include, among others, an assessment of the place of parties in society and the political system.<sup>4</sup> These power relations affect Centre-State relations in important ways. Looking at the impact of parties, especially the power relations within and between parties, on federalism is one way of placing the study of federalism within a political context.

Wheare's<sup>5</sup> restrictive conceptualization of federalism neglected several crucial areas that have increasingly been considered vital to the working of any federal arrangement of government.<sup>6</sup> These areas are those occupied by what can be termed 'components'<sup>7</sup> of the political system, for example political parties and party systems. The Federal Constitution provides formal boundaries within which these components operate. Federal relations are shaped not only by the constitutional division of powers between the Centre and the State Governments, correctly emphasized by Wheare, but also by the operation of these crucial components within the federal political system. Federal relations are not static and emphasizing the latter provides the clue to the necessarily dynamic nature of such relations. In Livingston's perceptive re-formulation, both a critique and refinement of Wheare's approach,

The essential nature of federalism is to be sought for, not in the shadings of legal and constitutional terminology, but in the forces—economic, social, political and cultural—that have made the outward forms of federalism necessary. Federalism, like most institutional forms, is a solution of, or an attempt to solve, a certain kind of problem of political organization. It is true, on the whole, that federal governments and federal constitutions never grow simply and purely by accident. They arise in response to a definite set of stimuli.<sup>8</sup>

These forces are indeed organized and channelled into, most importantly, political forms within a federation. Emphasizing and focusing on the operation of political parties and party systems in a federation is one way of going beyond Wheare's legal-formal formula in analysing federalism. Put simply, political parties and party systems are crucial in shaping Centre-State relations.

Several questions, accordingly, about the relationships between political parties and the federal structure can be raised. Are the relationships between the two levels of government dependent on or influenced by the kinds of relationship that members of political parties at both levels establish with one another? What defines the different kinds of relationship established? First, in cases where members of the same political party control the two levels of government, the manner in which the party is organized and the informal party relationships become important to federalism. Second, in cases where members of different political parties control the two levels of government the rivalry and competition between government parties become important to federalism. Third, in cases where the national government is controlled by one, the biggest, of the different regional or State parties, the activities of the national government are subject to the influence of the regional or State governing party. Fourth, in cases where the same coalition of parties govern both levels of government, elements of both the first and the second will be present. Important also are questions about the impact of the federal structure on both the pattern of organization of the different political parties and the relationships between the parliamentary and extra-parliamentary wings of the parties at the two levels of government. These questions emphasize the importance of the extra-constitutional and informal elements—in this case political parties—in the dynamic federal relationships.

Truman was among the first to recognize the importance of the relationship between political parties and federalism. His argument

runs as follows. A political party has two essential dimensions: the formal structural, conventionally classified by national, state and local levels, and the informal which is characterized by 'the extent to which the persistent and effective relationships among men and groups of men active in party affairs are clustered around one or a number of individual offices located on one or two or all three levels of the formal hierarchy'.<sup>9</sup> In the United States, the existence of national or inter-State party machinery is devoted chiefly to the nomination and election of a President. For Congressmen the essential and primary supportive structures are located in the States and localities because 'the risks and sanctions to which most members of Congress are particularly sensitive have their focus within the states and localities'.<sup>10</sup> Sometimes Congressional candidates will operate through more or less independent organizations of their own creation. Thus the party system in American federalism displays a confusing complexity and is capable of showing a remarkable degree of separation and autonomy.

It is, however, the distribution of power within the party system that is crucial in the context of federalism. This is critically dependent on 'the relative significance of the various functions of the party and of the degree of decentralisation of power in connection with the most important of them'.<sup>11</sup> It is in the area of the nomination of election candidates, the most important party function, that decentralization of the American party system is most apparent and within which States and localism are emphasized. The lack of cohesion that this produces within the parties, especially on important policy matters, underlines the Central leadership's lack of control at the nominating stage. Congressmen's risks are thus localized and they will look in that direction when deciding matters of policy. The American party system then is the one that is 'characterised by decentralisation of power with respect to its most crucial function, by structural confederation, and by lack of cohesion on matters of public policy'.<sup>12</sup> Federalism, because it creates States as separate and self-sustaining centres of power, privilege and profit, contributes to the decentralization within the party system. First, it channels the claims of local socio-economic groups. Second, these centres can be used as leverage against federal action by local interests and this is not conducive to either centralization or cohesion of the parties at the national level. Third, given the multitude of elected positions and the degree of ambiguity in the pattern of political careers, it enables the conflicting but

interdependent clusters of loyalty and aspiration to build up around various positions in the governmental structure. It thus provides for competing and frequently incompatible nuclei of decentralized intra-party conflict. These three in various combinations 'go a long way towards indicating that there is something inherent in federalism which induces decentralisation and lack of coherence in a party system'.<sup>13</sup>

The Canadian and Australian experiences<sup>14</sup> also show that federalism produces tendencies towards decentralization and lack of cohesion in the party system. However, other political and social factors, by moderating these tendencies, have encouraged the development of centralized power. In the American case these factors have perpetuated the centrifugal tendencies. The structural fact of federalism alone is not a sufficient explanation for the decentralization of power within the American party system. It encourages irreducible elements of decentralization and disruption in the party system but, more importantly, it is as these 'reflect the underlying pace of political process and as they are harnessed to regionally differentiated issues and clusters of organisation that they find their most impelling dynamic'.<sup>15</sup> Thus

In a federal system decentralisation and lack of cohesion in the party system are based on the structural fact of federalism, but ... the degree to which these become the dominant characteristics of the distribution of power within the political parties is a function of a variety of other governmental and social factors which are independent of the federal structure or are merely supportive of its tendencies.<sup>16</sup>

Riker too recognizes the importance of political parties and party systems to the working of a federal government or more precisely the maintenance of the 'federal bargain'.<sup>17</sup> He argues that the 'administrative theory of federalism' which explores the relationships between fiscal and administrative arrangements, the influence of the federal institutions of government, and the pattern of political attitudes are not crucial to the maintenance of federalism. Over time, the pattern of relationships operating within the party system is crucial. In his own words,

Whatever the general social conditions, if any, that sustain the federal bargain, there is one institutional condition that controls the nature of the bargain in all instances here examined and in all others with which I am familiar. This is the structure of the party system, which may be regarded as the main variable intervening between the background social conditions and the specific nature of the federal bargain.<sup>18</sup>

The structure of the party system thus reflects and responds to the forces of both diversity (background social conditions) and unity (the specific nature of the federal bargain). This structure can either be centralized or decentralized.

Riker argues that in the United States the forces emphasizing decentralization and localism within the political parties are supported by tradition and the absence of any effective device for unifying party ideologies and organization. Except perhaps during presidential elections, political parties are not nationally oriented but permanently locally oriented and decentralized. Several Presidents have attempted to use ideological and organizational devices to tighten the party organization but they have failed not for want of effort but because of the decentralized character of the party system. The decentralized party system thus reduces or weakens the national leaders' ability to control or influence State politics and safeguards the identity and autonomy of States.<sup>19</sup> Accordingly, Riker concludes that

The federal relationship is centralised according to the degree to which the parties organised to operate the central government control the parties organised to control the constituent governments. This amounts to the assertion that the proximate cause of variations in the degree of centralisation (or peripheralisation) in the constitutional structure of a federalism is the variation in degree of party centralisation.<sup>20</sup>

Riker's argument emphasizes the level of decentralization or centralization in the structure of the party system in explaining the working of federal governments and relations. Whether the structure of the party system is centralized or decentralized depends on the interplay of several factors—leadership, ideology, organization, and tradition—within each of the political parties.

The question of the respective impact of types of government—Parliamentary (Cabinet) or Presidential—in a federation on the types or kinds of party system that emerge has also been considered important. In Carnell's view there is no necessary relationship between the two. He argues that 'Other conditions for parliamentary government being present, a lot depends on the type of party system which emerges in a federation'.<sup>21</sup> To this Colin Leys argues that Carnell's proposition should be amended because it does not differentiate between the different types of government and thus fails to assess their consequently differential impact on the type of party system that emerges. In his own words, 'Surely whether there is a cabinet or presidential government makes a big difference to

what sort of [party] system does emerge'.<sup>22</sup> How the different types of government affect the emergence of the types of party system is not made clear. Truman, in explaining the difference between Canada and Australia on the one hand and America on the other in respect of their party systems, throws some light on this question.

Truman argues that Canada, Australia, and America have one thing in common: a party system which, because of the structural fact of federalism, is decentralized and lacking in cohesion. However, the distribution of power within each party system differs. In Canada the centralization of power in the party system is higher than that in the American case. The explanation lies in the interplay of two factors, both associated with the Parliamentary-Cabinet system—the absence of 'separation of powers' and the political fact that the positions of the provincial Prime Ministers are points from which direct succession to the most important political post, Prime Minister of Canada, can take place. The former means that there is no separate popular election of the head of the government and this is significant because 'it implies narrowing and rather sharply defining the alternative lines of succession to the position of principal influence'.<sup>23</sup> It is, however, the political fact which seems most significant because

... the advantages of political ambiguity, which adhere to the governor of an important state or to a presidential aspirant whose prominence rests on a non-political career in the United States, lie with the experienced politician at the national level. This seems to produce a somewhat cooptative pattern of succession which ... increases dependence upon the party leader. In the hands of a gifted politician such as a Laurier or a MacKenzie King—historically not important political facts in themselves—the system can produce long and durable national leadership and reduce the disruptive influences of federalism to a minimum.<sup>24</sup>

In Canada then the political fact shaping the pattern of leadership permits a level of centralization of power in the Canadian party system not attainable in the American case.

In Australia the Parliamentary-Cabinet system is undoubtedly partly responsible for the level of concentration of power, especially in the Australian Labour Party (ALP). Central leadership is also important in determining this. Thus, in the hands of a John Curtin, 'it is apparently possible so to use the machinery of party conference, caucus discipline, and the solidarity pledge as to offset state control of nominations'.<sup>25</sup> The great centralizer of power

especially in the ALP has been the existence of intense social and class conflicts, both historically and contemporarily, that cut State boundaries and are national in scope. Thus, 'the chief significance of the Australian system for Americans is that matters of constitutional form are far less important than in Canada. The degree of discipline and of centralisation which marks the ALP and its rivals by partial adeptation, is fundamentally a reflection of underlying social conditions.'<sup>26</sup>

Watts also emphasizes the differential impact of Parliamentary or Presidential federations not so much on the type of party system that emerges but on the role of political parties as managers of regional diversities within a federal consensus.<sup>27</sup> He argues that in the Parliamentary system of Cabinet government the real seat of Central power lies in the House of Commons.<sup>28</sup> The political parties working in this chamber will have to bear the main responsibility for managing or accommodating regional interests. In contrast, the balanced institutions of the bicameral legislature in the Presidential systems of the United States and Switzerland provide the framework for this task. Whether or not the federal system survives depends on its ability to accommodate the particular demands (sometimes changing) of the society on which it is based. In this political parties, in generating a positive consensus that is not merely based on the reconciliation of distinctive regional outlooks, are crucial. Thus, in Parliamentary federations, political parties as aggregative components within the federal system bear the main responsibility for generating this consensus. The durability of the federal system in turn depends, though perhaps not totally, on how successful political parties are in handling this task.

It is possible to argue that a Presidential federation may encourage the growth of nation-wide and nationally-oriented political parties.<sup>29</sup> This, however, assumes that no single or State party would be able to capture the Presidency. The Northern Peoples' Congress (NPC) in Nigeria was just such a regional party. This resulted in the regionalization of central power under the NPC based in the north of Nigeria. As Dudley puts it, in Nigeria 'Federal super-ordination has in practice turned out to be Northern dominance'.<sup>30</sup> In the context of Nigerian federalism it is therefore desirable to have genuinely national (in orientation and support) political parties which are capable of managing and encompassing the federation imposed by territorially defined tribal difference.

Parliamentary or Presidential federation, arguably, may deter-

mine the type of party system that emerges. It is, however, not so much the type of party system as the ability of political parties, as the aggregative components, to manage simultaneously the forces for diversity and unity which is vital to the working and survival of the federal system. In this the genuinely national, in contrast to the genuinely regional, political parties will be more able to generate and maintain a federal consensus. It is in the handling of such forces that political parties become the arena for shaping and maintaining—as centralized, decentralized or mixed—Centre-State relations.

The experience of older federations, especially those of the United States, Australia and Canada, has been to show the relevance of two-party systems to federalism. Against this background Carnell observed that 'It is a paradox in the new states that responsible government functions best with a one-party system. Countries like India and Malaya have strong, stable, federal executives'.<sup>31</sup> What prevails in either India or Malaya/Malaysia is rather a multi-party system characterized by one-party dominance.<sup>32</sup> This paradox aside, one-party dominant systems need not be inimical to federalism and may indeed facilitate its working. This happens, however, not by the suppression of opposition (especially those expressing regional or territorial interests) but through the internalization of such opposition or, to use Friedrich's phrase,<sup>33</sup> a 'multiplication of intra-party opposition' within the dominant party. This dominant party is still the federalizer but whether it does so in either the centralizing or decentralizing direction is the pertinent question. The answer to this will come from an examination of the internal organization and processes of the dominant party.

Both Riker and Truman have drawn attention to the interdependence between party structure and federal structure. A brief survey of the role and structure of political parties in the American, Canadian and Australian party systems reveals, *inter alia*, a tendency towards organizational decentralization or non-centralization of the political parties to the extent that National parties are federations of Regional or State parties.<sup>34</sup> The Indian experience emphasizes the dominance of one formally united party, the Congress; 'formally' because what is being referred to is the tight and centralized organizational set-up imposed by the Congress's Constitution. Thus, in India, the existence of social and structural federalism did not hinder the establishment of a



formally tightly-knit political organization. The interdependence argument, formally at least, does not seem to apply in India's case. This, however, is not the full story. The clue is contained in Truman's observation, quoted earlier,<sup>35</sup> and it refers essentially to what influences the pattern of internal or intra-party politics—the 'invisible politics' to use Sartori's phrase.<sup>36</sup> In a situation of one-party dominance, at the Centre and State levels, like India, to understand Centre-State relations means looking at that as dominant-party politics. So it is in India that 'in order to understand Union-State relations, it has always been necessary to look at them in terms of Congress politics rather than constitutional law'.<sup>37</sup> Congress Party dominance thus makes available an alternative and extra-constitutional channel for the operation of Centre-State relations. Congress dominance in Indian politics is indeed a political miracle because under its capacious umbrella, federalism, among others, has been allowed to settle down.<sup>38</sup>

What then is the impact of Congress politics on federalism, and especially on Centre-State relations in India? Santhanam argues that the effect of a centralized Congress organization on Union-State relations 'was to emphasize the strength of the Central Government and the relative subordination of the State Government' and to reduce the State Congress organization, the State Congress Committees, and the District Congress Committees to 'mere implementing bodies rather than policy-making bodies'.<sup>39</sup> In other words, Congress became the foundation for national control of State politics. However, in practice the situation is more complex, fluid, and changeable. This can be understood by considering the nature of the debates over and resolution of the issues concerning Congress Party-Government relations. These issues and their resolution define the balance of power between the Central and Regional or State Government and party leaders. As Kochanek indicates, the study of the processes in and operation of important Congress Committees—the all-India Congress Committee, the Working Committee, the Congress Parliamentary Board, and the Central Election Committee—in relation to the handling of these issues is vital for an understanding of Centre-State relations.<sup>40</sup> But they are necessarily debated and resolved within Congress. Both the strength and weakness of Congress dominance is its comprehensiveness at the Centre and State levels. Almost everything significantly political takes place under it. This allows it to monopolize power, tends to reduce inter-party com-

petition, and also breeds factionalism or 'groupism'. Factionalism can be a source of strength and dynamism within Congress through shaping the pattern of internal conflict, criticism and change, and ensuring élite recruitment from a diversified membership. However, as Brass<sup>41</sup> argues, it can also weaken Congress dominance.

The interplay of several factors within Congress politics is important to the definition of the balance of power between the Centre and State. First, the reorganization of the Indian States chiefly along linguistic lines has made them into territorially well-defined cohesive units and consequently renders them, politically, more powerful.<sup>42</sup> This 'neutralises to some extent the centralising influence of . . . the political centralisation of Congress and other all-India parties'.<sup>43</sup> The reorganization of States along linguistic lines encouraged the regionalization of power within Congress. This was reflected in the rising prestige of State leaders from mid-1950 and their colonization of the Congress Party apparatus.<sup>44</sup> The latter, especially, meant increasing regionalization of Congress Central leadership through the recruitment of men who had initially made their political conquests at the State level. This, however, did not necessarily weaken the party Centre. The fact of the matter is simply that the gravitational pull within the party is towards the Centre. Here the top leaders congregate and are concentrated and the State leaders' political survival depends on their being in the good books of the top leaders. State interests are important but there is insufficient evidence to show that leaders at the Centre are there merely to push the interests of their own State.<sup>45</sup> Watts argues that the views of the National organization usually prevail in situations of conflict between the National and State party organization.<sup>46</sup> However, this argument needs modification since the relationship is one of fluidity and interdependence.<sup>47</sup> Several factors, the degree of State and Central leadership unity being one of the most important, account for this.

A second factor is the cohesiveness or solidarity of Central and State party organizations and leaders. This affects the Centre's and State's ability to conduct their respective affairs without undue interference and control from the other levels. Thus, in cases of State party deadlocks, invariably the result of factionalism, the Central leadership, if united, is the decisive arbitrator.<sup>48</sup> Put differently, intra-party deadlocks indicate that the State party organization and leaders are unable to handle the divisions caused

by factionalism and these provide a united Central leadership with the opportunity to intervene in and shape State party affairs. In examining the selection process for Congress election candidates, Roy indicates that the evidence suggests that the nature of factional competition is a crucial variable in determining the extent of influence and power that the top command can exert on the lower echelons of the party.<sup>49</sup>

Marcus Franda's study of West Bengal provides another illustration and it also emphasizes the bargaining process in Centre-State relations.<sup>50</sup> His basic argument is that Centre-State relations, at the time the study was conducted, were dependent on the degree of State party cohesion and political mobilization. When the State Congress Party organization was internally cohesive and able to mobilize the State population the Centre was unable to impose its decision on the State. He presents evidence to show that on three issues—State boundaries, the Damodar Valley Project, and land reform—the Central Government, at times, was unable to exercise its dominance over the West Bengal Government. The degree to which the population in West Bengal was politicized was as high as anywhere else in India. Although the party situation was complex and antagonisms extremely strong, conflict with the Centre over these three issues tended to unite the factions. This at the very least provided the factions, in their assertion of States' Rights, with a platform which was both common and competitive.

The preceding discussion on the Indian experience is premised on the dominance of the Congress Party in Indian politics. After the 1967 general election this dominance weakened, though perhaps only marginally. Consequently, as Wallace argues, 'No longer can Indian politics be characterized as Congress dominated, although it is undeniable that Congress remains the single most important party. The Congress model of compromise and accommodation, negotiation and co-option—within a parliamentary framework—has continued within the larger Indian political scene.'<sup>51</sup> The weakening of Congress dominance also produced a condition of extreme fluidity in State politics in many parts of the Indian Federation. The result was large-scale defections by dissident State Congress groups and the necessarily continuous process of forming non-Congress State coalitions in most States, in which sometimes ex-Congress groups provided the key leadership. This perhaps inevitably resulted in State Governments' instability and coincided with the strengthening of regional

parties. With the weakening of Congress, power and influence were dispersed on a regional basis and among many parties. The arena for competition was widened to include intra-Congress and interparty competition. Consequently, the understanding of Centre-State relations in India requires going beyond merely focusing on internal Congress politics, to look, for example, at the politics of coalition-making and interparty competition at the State level and their impact on Centre-State relations.

The dominance and successful operation of the Congress Party for two decades after Independence in federal bargaining and negotiations go a long way in explaining the working of India's federal arrangement. Not surprisingly and apprehensively after 1967, with a divided and weakened Congress, the question of after Congress, who or what, became more urgent and especially so in the context of Centre-State relations.<sup>52</sup> With the benefit of hindsight and as indicated by the 1971 general election, this question was perhaps premature but the concern was real enough. Morris-Jones wrote:

The electorate ... restored Congress to its former dominance. The end of the dominant party had been too readily proclaimed in 1967, for even in these past four years several features of dominance survived in the two sets of rival party "constellations"; now it is back. With it, the feared slide of central politics towards unmanageable fragmentation and coalition is firmly halted. With it, the authority of the central government and central leadership in relation to state parties is substantially restored ... [and] the opposition parties go back to a position of greater dependence, forced to operate less by confrontation than by interaction by segments of the centre mass.<sup>53</sup>

However, because what the electorate restored it could similarly withdraw, and Indira Gandhi's Congress lacked a strong party organization, the present situation is different from that of the pre-1967 one dominant party system.<sup>54</sup>

The Indian experience suggests three phases: pre-1967, 1967-80, and beyond. The pre-1967 phase was a period of Congress dominance and this makes the understanding of Congress politics vital to the understanding of Centre-State relations. It was a period when Congress became a national institution within which Centre-State relations were unambiguously shaped and conducted and interdependence of State and Central leaders (although their primacy was recognized) was expressed. The 1967-80 phase was a period of weakening Congress dominance with, simultaneously, the

rise of Opposition (essentially State-based) parties. The Congress organization was divided by factionalism (sometimes precipitated by Central leaders) which resulted in its formal splitting. The processes and operation of important Congress committees, for long the shaper of Centre-State relations and the hallmark of Congress dominance, increasingly came into disuse because of divisions and factionalism among the Central and State leadership and the rise of Opposition parties at the State level. Thus, the channels and arenas for shaping Centre-State relations became ambiguous. This was directly linked to the nature of Congress politics and, most importantly, interparty competition at both Centre and State levels. Janata Party rule at the Centre further emphasized this ambiguity. The year 1980 began with the return of Indira Gandhi's Congress to power at the Centre and in most States. However, this did not mean that the Congress dominance of pre-1967 had been re-established. Far from it. This is precisely because the accommodative and aggregative elements of the pre-1967 Congress organization and the important Congress committees were neglected. These were taken over by Indira Gandhi. The style of Indira Gandhi and the nature of her personal relationship to both Central and State Congress 'leaders' was now decisively and unambiguously shaping Centre-State relations. At present Congress is not a strong party organization as such but it is firmly directed and controlled from the Centre.<sup>55</sup>

### *The Peninsular Malaysian Case*

Several writers have acknowledged the importance of political parties to the working of federalism in Peninsular Malaysia. Esman writes that 'smooth working relations between the states and the centre that characterized West Malaysia since Independence can be attributed to . . . [among others] the control of all state governments save one by the Alliance'.<sup>56</sup> It is through retaining party control over State Governments, as Gullick argues, that 'there was no party conflict between the federal and the state regimes'.<sup>57</sup> Milne and Mauzy similarly argue that 'The best guarantee of happy federal-state relations does not lie in any constitutional provisions but rather in the harmonizing influence of party'.<sup>58</sup> Presumably the greater the spread of this party, through extending its control of most, if not all, levels of government, the more harmonious Centre-State relations become. Collectively their emphasis on the

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crucial role of political parties is well placed. However, it is essential to know the definition of the balance of power and influence between the Centre and States and what affects this. This cannot be anticipated just by looking at whether the different levels of government are controlled by the same party or by different parties.

The party system in Peninsular Malaysia since Independence has been dominated by a multi-party coalition, the Alliance until 1969 and the Barisan Nasional (BN) or National Front (NF) since 1971 following a two-year rule by the NOC. The Alliance comprised the UMNO, the MCA, and the MIC. In Peninsular Malaysia the BN comprises the former Alliance partners, the People's Progressive Party (PPP), and the Gerakan Rakyat Malaysia (GRM or the Malaysian People's Movement). The Parti Islam (PI), formerly called the Pan Malayan Islamic Party (PMIP) or Parti Islam Se Malaysia (PAS), was a partner in the BN from 1973 to 1977.

Both the Alliance and the BN have dominated national politics. The Opposition, ever since the first election, has not looked like a credible alternative. In the 1955 Federal Legislative Council election the Alliance won 51 of the 52 seats and 81.8 per cent of the valid votes. In the first Parliamentary election of 1959 after Independence the Alliance won 74 of the 104 seats and 49.4 per cent of the valid votes. In the 1964 Parliamentary election the Alliance won 89 of the 104 seats and 58 per cent of the valid votes. In the 1969 Parliamentary election it won 67 out of 104 seats and 48.5 per cent of the valid votes. The 1974 Parliamentary election provided the first electoral test for the BN. In this election it won 104 of the 114 seats and 60.8 per cent of the valid votes. In the 1978 Parliamentary election it won 94 of the 114 seats and 58.8 per cent of the valid votes. The same pattern of Alliance and BN dominance was repeated at the State level, with the exception of Kelantan (1959-69), Trengganu (1959-62), and Penang (1969). The Alliance and then the BN have monopolized power at the Central and, with few exceptions, State levels.

What are the relations of power and influence between the parties in the coalitions? Milne and Mauzy have no reservations as to where power and influence are located within these coalitions. They argue that

Since the first national elections, a dominant party system has prevailed in Malaysia. Both the Alliance and the National Front, as institutionalised



permanent coalitions, have dominated the political process. However, *one must look within the coalitions to find the key to the dominant party system: that key is UMNO*. It has always had the largest number of seats in Parliament; from its ranks come the top Cabinet posts, including every Prime Minister and Deputy Prime Minister; it is clearly recognised as the most powerful and influential party whose leadership determines the direction of party and government policy: and it sets the pattern and conditions for multi-racial accommodation. It is inconceivable, as long as UMNO does not split, that any ruling coalition could be formed without UMNO, and without UMNO as the leading partner.<sup>99</sup>

At the State level, again with very few exceptions, all the *Mentri Besar* or Chief Ministers of the States, the majority—if not all—members of the State Exco (the State Cabinet), and the majority of members of the State Legislative Assemblies come from UMNO. Its dominance is further indicated by the fact that among the coalition partners it receives 50 per cent or more of the seat allocations for all the Parliamentary elections and it was given 50 per cent or more of all the seat allocations in each State, with the exceptions of Penang, Selangor (1964), and Kelantan (1974), for all the State elections.

The exceptions to the rule, PAS-controlled Kelantan (1959-69) and Trengganu (1959-62) and GRM-controlled Penang (1969)—before the BN was established—are significant in that both parties are essentially regionally based. What is interesting is the coincidence of ethnicity with the success of both parties. The PAS has its base in Kelantan, Trengganu and Kedah: historically members of the former Unfederated Malay States, relatively underdeveloped, and almost totally Malay in composition. The Chinese parties, the MCA (1959-69) and the GRM (1969-78), controlled the key posts in the Penang Government: historically a State of the former Straits Settlements, relatively more developed, and with 56.3 per cent of the population being Chinese and with 69.4 per cent of the population being non-Malay. Thus, with the exception of Penang, the relationship between the State Governments and the Central Government is one between the Malay-dominated State Governments and Malay-dominated Central Government. The relationship between the Penang State Government and the Central Government is one between a Chinese-dominated State Government and a Malay-dominated Central Government. In this context Penang appears unique.

The dominant pattern in Peninsular Malaysia, however, is one between the UMNO-dominated State Governments and UMNO-

dominated Central Government. It is for this reason that focusing on UMNO politics will be helpful in unravelling and understanding Centre-State relations. The next two chapters will do this by, first, examining UMNO as a national political organization, and second, examining the relations between UMNO-controlled Pahang and UMNO-controlled Centre as they are affected by the Endau-Rompin case. Finally, Kelantan as the exception to the rule will be examined in Chapter 10.

1. R. Michels, *Political Parties*, translated by Eden and Cedar Paul, New York, Dover Publishers Inc., 1959, p. 11. Duverger is in general agreement with this. See M. Duverger, *Political Parties*, London, Methuen & Co., 1959, p. 133.

2. S. J. Eldersveld, *Political Parties: A Behavioral Analysis*, Chicago, Rand McNally & Co., 1964, p. 9.

3. For a discussion and forceful statement of this point, see G. Sartori, *Parties and Party Systems: A Framework for Analysis*, Vol. 1, London, Cambridge University Press, 1976, Chapter 5.

4. W. H. Morris-Jones, 'Dominance and Dissent: Their Inter-relations in the Indian Party System', *Government and Opposition*, Vol. 1, No. 4, July-September 1966, p. 453.

5. K. C. Wheare, *Federal Government*, 3rd ed., London, Oxford University Press, 1953.

6. W. H. Riker, *Federalism: Origin, Operation and Significance*, Boston and Toronto, Little, Brown & Co., 1964; D. B. Truman, 'Federalism and the Party System', in A. W. MacMahon, ed., *Federalism: Mature and Emergent*, New York, Russell & Russell, 1962, pp. 115-36; A. Wildavsky, ed., *American Federalism in Perspective*, Boston, Little, Brown & Co., 1967; C. J. Friedrich, *Trends of Federalism in Theory and Practice*, London, Pall Mall Press, 1968, especially Chapter 5.

7. Other components include pressure groups, political movements, political attitudes, competing political élites, and bureaucratic organizations.

8. W. S. Livingston, 'A Note on the Nature of Federalism', in Wildavsky, *op. cit.*, p. 36. See also W. S. Livingston, *Federalism and Constitutional Change*, London, Oxford University Press, 1956.

9. Truman, *op. cit.*, p. 116.

10. *Ibid.*, p. 117.

11. *Ibid.*, p. 118.

12. *Ibid.*, p. 122.

13. *Ibid.*, p. 125.

14. *Ibid.*, pp. 126-9.

15. *Ibid.*, p. 132.

16. *Ibid.*, p. 133.

17. Riker, *op. cit.* It must, however, be admitted that Wheare held that a federal structure functions best with a two-party system. See Wheare, *op. cit.*, p. 87.

18. Riker, *op. cit.*, p. 136.

19. *Ibid.*, pp. 91-101.
20. *Ibid.*, p. 129.
21. F. G. Carnell, 'Political Implications of Federalism in New States', in U. K. Hicks, *et al.*, *Federalism and Economic Growth in Underdeveloped Countries*, London, Allen & Unwin Ltd., 1961, pp. 47-8.
22. C. Leys, 'Comment', in Hicks *et al.*, *op. cit.*, p. 63.
23. Truman, *op. cit.*, p. 127.
24. *Ibid.*
25. *Ibid.*, p. 129.
26. *Ibid.*
27. R. L. Watts, *Multicultural Societies and Federalism*, Studies of the Royal Commission on Bilingualism and Biculturalism, Ottawa, Information Canada, 1971, pp. 64-5.
28. The Lower House or the House of Representatives or the Dewan Raayat, as in Malaysia, as it is sometimes called. The Australian Parliament is an exception to this general statement. This is because the division of power between the House of Representatives and Senate is more 'balanced' and is closer to that of the American Congress.
29. See 'Discussion' in Hicks *et al.*, *op. cit.*, p. 67.
30. B. J. Dudley, 'Federalism and the Balance of Political Power in Nigeria', *Journal of Commonwealth Political Studies*, Vol. 4, 1966, p. 21. See also R. A. Akindele and S. N. Varma, 'The Problem and Prospect of National Parties in Nigeria', *African Review*, Vol. 4, No. 3, 1974, pp. 381-400; B. J. Dudley, *Parties and Politics in Northern Nigeria*, London, Frank Cass & Co., 1968; J. P. Mackintosh, 'Electoral Trends and Tendency towards a One-party System in Nigeria', *Journal of Commonwealth Political Studies*, Vol. 1, 1962-3, pp. 194-210.
31. Carnell, 'Political Implications of Federalism in New States', pp. 47-8. It is quite misleading to talk about 'one-party systems'. In a country where there is only one party there really is no party 'system' because a 'system' implies the existence and interaction of parts. It is difficult to conceive of a one-party state as being conducive to 'responsible' government. See Sartori, *op. cit.*, Chapter 2.
32. More about this later. In Nigeria, between 1950 and 1966, one-party dominance was the outcome of the entrenchment of a regional political party, the NPC, at the Centre. This destabilized the Nigerian federal system. However, in India and Malaya/Malaysia, one-party dominance was able to handle the federal needs of society and thus enhance the stability of the federal system.
33. C. J. Friedrich, 'Federalism and Opposition', *Government and Opposition*, Vol. 1, No. 3, April 1966, p. 294.
34. V. O. Key, *Politics, Parties and Pressure Groups*, 5th ed., New York, T. Y. Crowell & Co., 1964, p. 330; R. M. Dawson, *The Government of Canada*, 4th ed., Toronto, Toronto University Press, 1963, p. 488; J. D. B. Miller, *Australian Government and Politics*, revised 3rd ed., London, G. Duckworth, 1964, pp. 64-5.
35. See note 16.
36. Sartori, *op. cit.*, p. 95.
37. W. H. Morris-Jones, 'India's Political Miracle', *The Australian Journal of Politics and History*, Vol. 7, No. 2, August 1966, p. 219.
38. Morris-Jones, 'India's Political Miracle', p. 220. See also W. H. Morris-Jones, 'Dominance and Dissent: Their Inter-relations in the Indian Party System', and also his 'The Indian Congress Party: A Dilemma of Dominance', *Modern Asian*

*Studies*, Vol. 1, 1967, pp. 109-32; R. Kothari, 'The Congress System', *Asian Survey*, Vol. 15, No. 2, December 1964, pp. 1161-73. If an analogy with the banking system is made, then the Congress Party is the clearing house of the political transactions.

39. K. Santhanam, *Union-State Relations in India*, Bombay, Asia Publishing House, 1960, p. 63. See also R. L. Park, 'India', in R. C. Macridis and R. Ward, eds., *Modern Political Systems: Asia*, Englewood Cliffs, N.J., Prentice Hall Inc., 1963, p. 293.

40. S. A. Kochanek, *The Congress Party of India: The Dynamics of One-Party Democracy*, Princeton, N. J., Princeton University Press, 1968; see also Morris-Jones, 'Dominance and Dissent: Their Inter-relations in the Indian Party System', and 'The Indian Congress Party: A Dilemma of Dominance'.

41. P. R. Brass, *Factional Politics in an Indian State: The Congress Party in Uttar Pradesh*, Berkeley, University of California Press, 1965, especially pp. 232-43.

42. See Government of India, *Report of the State Reorganisation Committee*, New Delhi, 1955.

43. Santhanam, *op. cit.*, p. 68.

44. S. S. Harrison, *India: The Most Dangerous Decade*, London, Princeton University Press, 1960, Chapter 3.

45. Morris-Jones, 'India's Political Miracle', p. 219.

46. R. L. Watts, *New Federations: Experiments in the Commonwealth*, Oxford, Oxford University Press, 1966, pp. 336-8.

47. Kochanek, *The Congress Party of India, passim*. Congress power is decentralized to the extent that it depends on local power wielders. This is well illustrated by Weiner's study of the Congress Party in a Mysore constituency. See M. Weiner, 'Traditional Role Performance and the Development of Modern Political Parties: The Indian Case', *Journal of Politics*, Vol. 6, No. 4, November 1964, p. 849.

48. P. R. Brass, 'Factionalism and the Congress Party in Uttar Pradesh', *Asian Survey*, Vol. 4, No. 9, September 1964, pp. 1037-47.

49. R. Roy, 'Factionalism and "Stratarchy": The Experience of the Congress Party', *Asian Survey*, Vol. 7, No. 12, December 1967, pp. 896-908.

50. M. F. Franda, *West Bengal and the Federalising Process in India*, Princeton, N. J., Princeton University Press, 1968. The bargaining element within Congress has earlier been recognized by W. H. Morris-Jones, *The Government and Politics in India*, revised 3rd ed., London, Hutchinson & Co., Ltd., 1971, pp. 150-6.

51. P. Wallace, 'India: The Dispersion of Political Power', *Asian Survey*, Vol. 8, No. 2, February 1968, p. 88.

52. For an examination of this question, see P. Chopra, *Uncertain India: A Political Profile of Two Decades of Freedom*, Delhi, Asia Publishing House, 1968, pp. 342-85. In November 1969 the Congress split into two with the larger rump led by the Prime Minister, Indira Gandhi.

53. W. H. Morris-Jones, 'India Elects for Change and Stability', *Asian Survey*, Vol. 11, No. 3, August 1971, p. 740.

54. *Ibid.*, pp. 740-1.

55. See J. Manor, 'Indira and After: The Decay of Party Organisation in India', *Round Table*, Vol. 272, October 1978, pp. 315-24; P. Wallace, 'Plebiscitary Politics in India's 1980 Parliamentary Elections: Punjab and Haryana', *Asian Survey*, Vol. 20, No. 6, June 1980, pp. 617-33; and D. G. Jyotindra, 'India in 1980: Strong Centre, Weak Authority', *Asian Survey*, Vol. 21, No. 2, February 1981, pp. 147-61.

56. M. J. Esman, *Administration and Development in Malaysia: Institution Building in a Plural Society*, Ithaca and London, Cornell University Press, 1972, p. 92.

57. J. M. Gullick, *Malaysia: Economic Expansion and National Unity*, London, Ernest Benn, 1981, p. 120.

58. R. S. Milne and D. K. Mauzy, *Politics and Government in Malaysia*, Vancouver, University of British Columbia Press, 1978, p. 107.

59. Ibid., p. 217. Emphasis added. See also J. Grossholtz, 'Integrative Factors in the Malaysian and Philippine Legislatures', *Comparative Politics*, Vol. 3, No. 1, October 1970, p. 106.

## The United Malays National Organisation: A National Political Organization

THE relations of power within UMNO are shaped formally and informally. Formally, the party constitution shapes these relations, for example, between Centre and State party leaders, and locates the repositories of power within the party. Informally, these relations are shaped by the competitive relations between individuals or groups at or between the different levels of the party organization. This chapter concentrates on the formal relations.

### *History and Development up to 1955*

UMNO began as a loose grouping of the separate State Malay political associations.<sup>1</sup> It was formed in response to the urgent need for Pan-Malay unity to oppose the British Administration's imposition of the Malayan Union Scheme in 1946,<sup>2</sup> which Malay political leaders viewed as a threat to Malay rights. This, perhaps more than any other consideration, compelled State leaders to extend their attention and activity beyond the State level, thereby giving an impetus to the process of national orientation.

The initial grouping, then called the Pan-Malayan Malay Congress or the Kongress Melayu Sa-Malaya,<sup>3</sup> lacked organizational unity. The Congress, with representatives from the separate State Malay political associations, had its first meeting on 1 March 1946 and considered the formation of a Malay National Movement or Pergerakan Kebangsaan Melayu. It agreed to name this movement the Pertubuhan Kebangsaan Melayu Bersatu or the United Malays National Organisation (UMNO) and a committee was appointed to draft its charter and constitution. The Congress meeting of 11 and 12 May 1946 approved the charter and the UMNO was officially inaugurated.

The UMNO charter, drafted at short notice, was designed to achieve Pan-Malay unity by accommodating as many State Malay political associations as possible; the separate associations were simply incorporated under the umbrella organization. This

incorporation into UMNO was based on 'the lowest common denominator of a motley collection of associations and clubs, the autonomy of which was explicitly safeguarded'.<sup>4</sup> The President of UMNO and his Executive Committee were empowered only to direct the affairs of the overall organization. The affairs of affiliated member associations, with their autonomy and identity left intact, were controlled by State or local leaders. UMNO's links to the individual Malay members were mediated by these leaders.<sup>5</sup> Thus the loyalty of 'the individual Malay was to his local association... and political control rested not with UMNO headquarters but with the affiliated associations which were numerous, of varied natures and sometimes at loggerheads with each other'.<sup>6</sup> Central UMNO leaders had to depend on and work with these State and local leaders. Handicapped in this way, they soon suggested that the party should be strengthened, especially at the State level, by reorganizing the system of UMNO affiliates.<sup>7</sup> In May 1947 the UMNO General Assembly (GA) adopted a resolution designed to restructure UMNO on the basis of direct membership. By June 1948, UMNO affiliates in Kedah, Malacca, Pahang, Perak, Perlis, Selangor, and Trengganu were dissolved and State branches of UMNO established. This reorganization was ratified by the GA in May 1949. By mid-1949 UMNO, spanning the Centre and State levels, could be described as a truly national political party.

The resignation of Dato Onn Jaffar, UMNO's first President, in 1951 was followed by the migration of his supporters from UMNO to his newly-established party, the Independence of Malaya Party (IMP). This disrupted UMNO's organization. UMNO's new President, Tunku Abdul Rahman, thus needed to establish his control over the party, strengthen its organization, and give it a new sense of direction—all these in the context of doubts and disputes among National and State party leaders regarding the extent of Central direction over lower party bodies. The UMNO Constitution and organization became a focal point of contention as illustrated by the Centre-State party conflict in 1953 between Tunku Abdul Rahman and the Dato Panglima Bukit Gantang, Chairman of Perak UMNO.<sup>8</sup>

### *The 1955 UMNO Constitution and Organization*

The continuous tussle within UMNO with regard to the nature and extent of Central direction over lower party bodies led to the

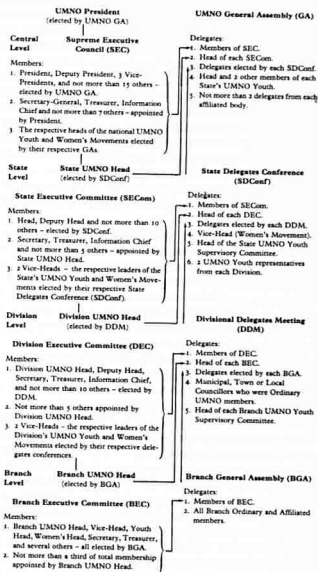
adoption of a new UMNO Constitution in 1955.<sup>9</sup> With this the relations between the Centre and the lower party bodies were formally reorganized. For the first time the need to establish and strengthen State-level party organs was recognized and emphasized, with Tunku Abdul Rahman defending this in terms of improving UMNO's organizational efficiency for facing electoral challenges.<sup>10</sup> Indeed a hierarchy of National, State, Division and Branch levels was set up. Figure 8.1 shows the structure of UMNO according to this Constitution.

At the National level UMNO's overall authority was vested in the GA. As the chief executive body the Supreme Executive Council (SEC) or the Majlis Kerja Tertinggi (MKT) was responsible for the administration of UMNO nationally and functioned under the GA's authority. At the State level UMNO's authority was vested in the State Delegates Conference (SDConf) with the State Executive Committee (SECom) or Jawatankuasa Kerja Negeri (JKN) as the chief executive body. The SECom was responsible for the administration of the State UMNO and functioned under the SDConf's authority. At the Division and Branch levels respectively UMNO's authority was vested in the Divisional Delegates Meeting (DDM) and the Branch General Assembly (BGA), with the Division Executive Committee (DEC) or Jawatankuasa Kerja Bahagian (JKB) and the Branch Executive Committee (BEC) as the chief executive bodies respectively. The DEC and BEC were responsible for the administration of UMNO within the Division and Branch respectively and functioned under the authority of their respective DDM and BGA.

The SEC comprised the President, Deputy President, three Vice-Presidents and not more than fifteen other persons, all of whom were elected at the Annual UMNO GA. It also included the heads of the National Youth and Women's movements who were elected by their respective General Assemblies. Other members were appointed by the President and included the Secretary-General, Treasurer, Head of Publicity and Information, and not more than seven others. The SECom comprised the State UMNO Head, Deputy Head, and not more than ten other persons, all of whom were elected at the SDConf's annual meeting. It also included two Vice-Heads: the leaders of the State's Youth and Women's movements who were elected at their respective annual delegates' conference meetings. Other members, including the Secretary, Treasurer, Head of Publicity and Information, and not



FIGURE 8.1  
Structure of UMNO Based on the 1955 Constitution



more than five other persons, were appointed by the State Head. The DEC comprised the Division Head, Deputy Head, Secretary, Treasurer, Head of Publicity and Information, and not more than ten other persons, all of whom were elected at the annual meeting of the DDM. It also included two Vice-Heads: the leaders of the Division's Youth and Women's movements who were elected at their respective annual delegates' conferences. In addition, the Division Head could appoint not more than five persons as members. The BEC comprised the Branch Head, Vice-Head, Youth Head, Women's Head, Secretary, Treasurer, and several other persons all of whom were elected at the annual BGA. In addition the Branch Head could appoint not more than one-third of the total membership. Thus, at each level, the executive body had an elected head and comprised both elected and appointed members. The elected head, with the power to appoint additional members, was thus in a strong position within each level of the party organization.

The SEC had to approve the establishment of any State UMNO organization while the establishment of Divisions in each State electoral constituency, or in other areas in each State, had to be approved by the SECom. In turn the establishment of Branches in each polling area, or in other areas, in each Division had to be approved by the DEC. While the SEC had overall responsibility over UMNO affairs, the SECom had substantial formal powers within the State and over Divisions and Branches.

The SEC was empowered to formulate for the Federation the principles, programmes, and policies in the political, economic, educational, welfare, and social fields. These, however, had to be submitted to and approved by the UMNO General Assembly. The SECom, in turn and for each State, was provided with similar powers in relation to State areas of responsibility but the exercise of such powers was subject to the SEC's supervision and advice. The SECom's and State UMNO's powers in these matters were thus shared with the SEC. The Divisions and Branches had no direct participation in such matters. In practice the extent of a SECom's influence over such matters depended on the relative strength of the State leaders and State UMNO organization on the one hand and National leaders on the other.

The power to nominate candidates for elections, depending on the type of election, was vested in the different levels of UMNO. For Federal elections the SEC had the power to select and deter-

mine candidates from among those proposed by the SDConf and to assign the Federal electoral constituency for each candidate. It also had the power to control, supervise, and decide on any matter relating to Federal elections. Potentially, the scope of the SEC's power could be limited if the SECom was able to produce a list of candidates from among those elected by secret ballot at the SDConf. While unity at the State level would enhance the State body's power, disunity would provide opportunities to National leaders in the SEC to influence the composition of the list of candidates to be proposed by the SDConf.

For State elections each SECom was empowered to nominate candidates from among those elected by secret ballot at the SDConf and to assign each candidate to a State electoral constituency. The SEC's participation in this was confined to settling any dispute concerning State elections. Thus when the SECom and the State UMNO were united over State election matters the opportunity for the SEC to intervene would be minimized. For Municipal, Town and Local Council elections in areas within each Division, the DEC was empowered to nominate candidates and to assign to electoral areas from among those proposed by the BGAs within the particular Division. It was also empowered to settle any dispute over matters regarding such elections.

The UMNO GA, which was to meet annually, formally linked the National, State, Division and Branch levels of the party by bringing together the National and State leaders and representatives of UMNO members. Delegates to the UMNO GA included the SEC members, State UMNO Heads, those elected by and from members of each SDConf,<sup>11</sup> not more than two appointed by each affiliated body, and the Head and two other members of each State's UMNO Youth Supervisory Committee. State representation in the GA was unequal because the size of each State delegation depended on the membership size in each State, so that the larger the size of the State delegation, the larger would be the voting share and hence its power within the GA. State leaders with large delegations were thus in a position to be power brokers, especially in the election of SEC members.

The three types of representative bodies in each State were, in descending order, the SDConf, the DDM, and the BGA. Delegates to the SDConf included SECom members, each Division Head, Vice-Head (Women's movement) of each Division, Head of the State UMNO Youth Supervisory Committee and two UMNO

Youth representatives from each Division, and those elected by and from members of each DDM.<sup>12</sup> Delegates to the DDM included DEC members, Heads of Branches in the Division, ordinary UMNO members who were Municipal, Town or Local Council members, the Head of each Branch UMNO Youth Supervisory Committee, and those elected by each BGA.<sup>13</sup> Delegates to the BGA included BEC members and all Branch ordinary and affiliated members.

The 1955 UMNO Constitution thus provided for an organization that emphasized and recognized the importance of each level within that party organization. Before this there was no State party organization as such and the relations between the Divisions in each State were maintained through a State Liaison Committee (SLC) which was headed by an appointee of the SEC.<sup>14</sup> The 1955 UMNO Constitution strengthened the State party organization and placed direct control over the Divisions in the hands of the newly-established SECom. Overall the authority was vested in the UMNO GA to which the SEC was responsible. At the same time State party bodies were also vested with specific powers and responsibilities in their respective States and these provided the basis for State party autonomy. The organizational focus and links were towards the Centre but were channelled through and shaped by the State party bodies. It was not a one-way traffic of Central influence and control over lower party bodies. The reverse flow was also important to the extent that Central leaders' political bases and strengths were located and had to be sustained in the States. The cultivation of State support, especially of State delegates' support at the Annual UMNO GA, was crucial. The newly-established State party organization and its SECom was provided with a measure of autonomy and commensurate power over State party affairs. The SECom was the pivotal group that organized the party in each State. The 1955 Constitution thus placed UMNO on a federal footing.

Thus control of the State party organization and its SECom became crucial. This stimulated the growth of separate party machines and in some States resulted in prolonged factional fights over control of the SECom. Such factional or group tussles became increasingly intense with the approach of the first Federal and State elections in 1959.<sup>15</sup> This was because the faction or group controlling the State party organization would be able to influence, if not control, the nomination process: a necessary first step if they

wanted to reap the spoils of office, especially with regard to determining the *Mentri Besar's* appointment and the composition of the State Government.

Factionalism and group conflict at the State level was making life difficult for UMNO's Central leaders.<sup>16</sup> They viewed this as undermining party unity and consequently threatening UMNO's success in the forthcoming elections. To ensure some control over divided and wayward State UMNOs, UMNO President Tunku Abdul Rahman resorted to the use of informal channels. Through these the inner workings of party politics and the relations between the Centre and State leaders were shaped. Such channels were used only in some States and not for all problems and what determined their use was the intensity of factionalism within the State UMNO set-up. Where other National leaders were in firm control of the State UMNO organizations, the Tunku worked through them.

UMNO's Central leaders were convinced that the long-term goal of party unity and cohesion required a reorganization of UMNO in which State UMNO units' powers should be reduced and Central control over State and lower party organs should be increased. Moore wrote: 'The national leadership and the Tunku in particular saw as the only solution to this problem a return of the divisions to the direct control of the central headquarters which would usurp from any one state group the possibility of co-opting the choice of *Mentri Besar* or even from vying for it.'<sup>17</sup> Tunku Abdul Rahman's attempts in February 1959 to strengthen Central control over State and lower party bodies by amending the 1955 UMNO Constitution were successfully blocked. After failing to have his way the Tunku accused the prospective *Mentri Besar* and State leaders of generating factionalism within State UMNOs. He alleged that they had

...ceased to take advice from headquarters but have decided on and pursued their own separate policies ignoring the basic policies of the party. The direct consequence of their irresponsible actions has been constant strife and bickering, which has afflicted the organisation for some time. I have come to realise that there are some leaders at state levels who aspire to grab the post of *Mentri Besar* and to pack the (State) Executive Councils with their own men.<sup>18</sup>

He advised the UMNO GA delegates that they should establish a committee in each State to study his proposal for amending the

1955 UMNO Constitution. Convinced that factionalism was threatening the party's electoral success, Tunku also announced his resignation as the Prime Minister in order to devote himself fully to party matters.<sup>19</sup> He explained that the problems facing the party required his personal attention and decision. Furthermore, he wanted to ensure that the 'right men go forward at both state and federal level so that when the Alliance Government is returned to power it will have sound administration in every state and at the Centre'.<sup>20</sup> The full weight of the party Presidency and his personal intervention were vital ingredients in his attempts to tame factionalism at the State level.

In 1959 the SEC identified the State UMNOs of Perak, Negri Sembilan, the east coast States of Kelantan and Trengganu, and Singapore as the worst-affected by factionalism.<sup>21</sup> It established a four-man commission to investigate the problems caused by factionalism in these States. At the same time it established a Jawatankuasa Mengubal dan Meminda Undang-Undang Tubuh UMNO or UMNO Constitutional Revision and Amendment Committee to examine the weaknesses of and to recommend amendments to the UMNO Constitution. This Committee made recommendations and prepared a set of amendment proposals which were sent to each State UMNO and Division. These proposals were formally tabled at the Thirteenth UMNO GA on 16 and 17 April 1960. Tunku Abdul Rahman<sup>22</sup> explained to the Assembly that these proposals were designed to strengthen UMNO and make it a truly strong National party in view of the changing needs of the time. He argued that before the formation of UMNO the Malays were influenced by attitudes of 'stateness' or loyalty to each State. But the establishment of UMNO had changed this. However, UMNO needed to be a truly strong National party if Malay unity was to be assured. The 1955 UMNO Constitution, establishing State UMNO chapters, was designed to improve the party's organization. However, UMNO, which had begun as a National party, had become a State party. Each State party viewed and considered itself free and independent from and not responsible to the Centre in anything it did. Because of this the State UMNO units had been constantly afflicted by both major and minor crises. Disagreement and conflict within the State UMNO had resulted in splits within its own ranks. These weakened UMNO as a National political party. Amending the 1955 Constitution was the only way to re-establish UMNO as a

National party and its organizational coherence and if the amendment proposals were not approved UMNO would cease to be a truly strong National party. The Tunku's argument recognized that States had become power centres in their own right. UMNO leaders at the Centre felt threatened by this and feared that if the party was not fundamentally reorganized they would ultimately lose control of the party. Despite the threat posed to State UMNO leaders, the UMNO GA unanimously approved the amendments.<sup>23</sup>

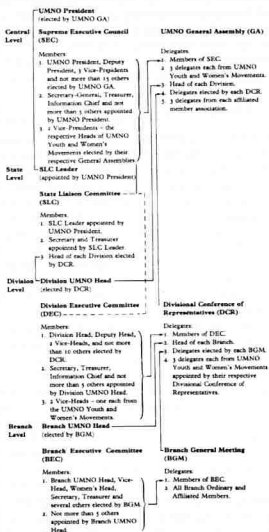
### *The 1960 UMNO Constitution and Organization*

The 1960 UMNO Constitution retained the organizational structure of the party at the National, Division and Branch levels. Figure 8.2 shows the structure of UMNO according to this Constitution. The SEC was strengthened and provided with full and wide-ranging powers to determine policies, select candidates for Federal and State elections, supervise and control lower party bodies, and settle party disputes. With this at least formal power was centralized. Nationally the authority of UMNO was still vested in the GA to which the SEC was responsible. The President could now appoint only five, compared to seven previously, as the SEC's ordinary members. The SEC's membership and methods of selection remained as before.

At the State level, the SDConf and SECom were abolished and a State Liaison Committee or Jawatankuasa Perhubungan Negeri (JPN) was provided for in each State. The SLC's establishment had to be officially confirmed and approved by the SEC. Compared to the SECom, the SLC was provided with minimal authority over lower party bodies and party matters within the State. It was not empowered, as the SECom had been, to confirm and grant recognition to the establishment of Divisions in each State; this power was now vested in the SEC. The SLC was empowered only to recommend the establishment of Divisions. It was under the SEC's direct supervision and control and was to act purely as a liaison body linking the SEC to the Divisions and Branches in each State with its power over the Divisions and Branches limited to that of supervision and co-ordination. Again, compared to the SECom, the SLC had no powers over policy-making and could only recommend, but not select or determine, candidates for elections. Powers over these lie with the SEC.

Central party control over the SLC was further emphasized

FIGURE 8.2  
Structure of UMNO Based on the 1960 Constitution





and strengthened by the provision that its Leader be appointed by the UMNO President after consultations with, but not necessarily the agreement of, the Division Heads in each State. Other SLC members included the Secretary, the Treasurer, and the Division Heads in the State. The Secretary and Treasurer were appointed by the Leader with the concurrence of the SLC's members and the Division Heads were elected by the respective Divisional Conference of Representatives (DCR). The Division Heads represented the only elective element in the SLC who were elected at the Division and not at the State level. Compared to the SECom's State-level elective element, that of the SLC emphasized and strengthened the Divisions because now, unlike previously, the elected Division Heads were guaranteed a place in the SLC.

At the Division level the DDM, now called the DCR, and the DEC retained much of their previous identity and powers. Previously Divisions were established in every State electoral constituency or in areas approved by the SECom but they were now to be established in every Federal electoral constituency or in areas approved by the SEC.<sup>24</sup> Each Division was now under the direct supervision and control of the SEC.<sup>25</sup> The Divisions were now directly linked and answerable to the Centre. Apart from the increase in the number of Vice-Heads from two to four, the membership of and methods of selection to the DEC remained as before.

At the Branch level the BGA, now called the Branch General Meeting (BGM), and the BEC also retained much of their previous identity and powers. The establishment of a Branch in a Division had still to be approved and recognized by the DEC and its activities were still under the supervision and control of the DEC. Regarding the membership of the BEC, the Branch Youth leader was now excluded and the Branch Head could now appoint only five, not one-third of the total membership, as ordinary members. These changes apart, the membership of and methods of selection to the BEC remained as before.

The overall executive authority was still vested in the UMNO GA. SEC members, as before, were entitled to be delegates to the GA. With the abolition of the SECom and the SDConf a new procedure was provided for the election of delegates to the GA. Delegates were now elected by the annual DCRs.<sup>26</sup> The Division Heads were now entitled to be delegates to the GA, while the SLC

Leaders were entitled only to attend the GA and had no voting rights.<sup>27</sup> In practice, most if not all SLC Leaders were delegates to the GA by virtue of being SEC members (as indicated later). Other delegates to the GA included not more than three delegates from each affiliated member association and three delegates each from the Youth and Women's movements.

The majority of delegates to the GA were now elected by their respective DCRs. This, together with the abolition of the SEComs and SDConfs and the entitlement of Division Heads to be GA delegates, further stressed and strengthened the direct link of Divisions to the Centre. There were no State delegates as such but only Divisional delegates. The larger the membership in a Division, the larger would be the number of delegates that it could send to the GA. It would still be possible for a State leader, assuming that he had control over or the substantial backing of Divisional delegates, to be a power broker within the UMNO GA. Even more than before, Division Heads and their respective delegations were now potentially more important in such calculations of power in UMNO.

Within each State only the Division and Branch representative bodies—the DCR and BGM—were retained. As before, delegates to the DCR included DEC members and Branch Heads. In addition, instead of only one delegate each, there were now three delegates each from the Division's UMNO Youth and Women's movements. Other delegates were elected by the respective BGMs in each Division.<sup>28</sup> Delegates to the BGM included members of the BEC and all Branch ordinary members.

The 1960 UMNO Constitution thus de-emphasized the importance, though not the necessity, of State UMNO bodies. The necessity for some form of State-level party body was recognized by the establishment of the SLC. It was, however, provided with minimal authority over the lower party bodies in the State. Formal power within UMNO was now more centralized and vested in the SEC. Formally the SEC must act under the direction of the UMNO GA. However, in practice and especially between GAs, the SEC generally and the UMNO President particularly could be its master.<sup>29</sup>

Previously the SDConf and SECom were the organizational focus of the Divisions and Branches in each State. The SLC, however, was not designed to be a similar organizational focus. The UMNO GA and the SEC now provided this focus. In this the

Divisions and Branches were directly linked to the SEC especially through its power of supervision and control over them and, in the case of Divisions, to the UMNO GA through the election of its delegates by the DCRs. In the past, too, State party leaders were able, through their control of the SEComs and State party bodies, to wield considerable influence in the party. The formal powers of the SLCs' Leaders were minimal but their effective powers were determined as much by their position as SLC Leader as by their close association with Central party leaders. They must, at the very least, have the approval of Central leaders and command the support of substantial numbers of Divisions and their leaders. Several of them were also members of the SEC.

The organizational fragmentation of the party at the State level meant that State leaders would have to assiduously cultivate both ends of the party organization, the bottom and the top: the bottom, effectively the Divisions and their leaders, because aspiring State leaders have to show the top (Centre) that they command the committed support of those at the bottom; the top, effectively the Central leaders in the SEC, because only they could officially confirm aspiring State leaders to positions of State leadership. Divisions and Branches do count in the calculations of and competition for power in each State as well as at the National level. To suggest, as Karl von Vorys did, that State-level party organization had atrophied following the 1960 amendment of the UMNO Constitution may be an exaggeration.<sup>30</sup> It would seem, rather, that UMNO within the State had been reorganized so as to increase the influence, and perhaps control, of National leaders in party activities within the State. It would thus improve the top-down coordination within the party. This nevertheless requires a 'healthy' party organization within the State although controlled from the Centre. Formally at least, the SLC, unlike the SECom, was not designed as the pivotal body with respect to the organization of the party in each State. The pivotal group was now the SEC.

The 1960 UMNO Constitution eroded the federal nature of the party and further strengthened the Centre. The centralization of power within UMNO integrated and tightened the party through reducing the importance of State-level party organization and directly linking the Divisions and Branches to the Centre. National party leaders were thus placed with enhanced powers while the previous importance of State party organizations and their leaders was fundamentally altered and reduced.

### *Subsequent Changes to UMNO's Constitution and Organization*

The structure of UMNO has remained as provided for by the 1960 Constitution. Subsequent changes to this did not affect the UMNO structure as such but rather the distribution of powers between the Centre and the lower party bodies. In 1971 several amendments were made to UMNO's Constitution.<sup>31</sup> These further consolidated the centralization of power within the UMNO organization. The SEC's powers were increased to further strengthen its control over nominations for Federal and State elections, party discipline, lower party bodies and policies. This centralization of power was criticized by delegates at the UMNO GA then discussing the amendments.<sup>32</sup> The tenure of elected SEC members—President, Deputy President, three Vice-Presidents, and twenty ordinary members (five more than before)—was changed from one to three years. The other two Vice-Presidents—the Heads of both Youth and Women's movements—were elected as before. The Secretary-General, Treasurer, and Information Chief were still appointed by the UMNO President but would now hold office for two years. The President could also now appoint seven ordinary members of the SEC. The change was designed to ensure stability and continuity in the Central leadership of the party.<sup>33</sup> This could potentially strengthen the Central leader's hold on the party. This stability and continuity of Central leadership was, nevertheless, already evident before the change. Not surprisingly this change was approved by a very small majority.<sup>34</sup>

At the State level the already minimal powers of the SLC were reduced.<sup>35</sup> It could no longer recommend the establishment of Divisions to the SEC and its participation in matters concerning selection of candidates for Federal and State elections was withdrawn. Formally at least, the SLC's influence over party affairs seemed minimal. Several changes in the SLC's membership were also made. In addition to the post of SLC Leader, now renamed Chairman, the post of Deputy Chairman was created. Both were to be appointed by the UMNO President after consultations with Division Heads in each State and would hold office for two years. The SLC's Secretary, Treasurer, and Information Chief were appointed by the Chairman with the approval of the SLC and they would hold office until the appointment of a new Chairman or ex-

pelled by the SLC. The Division Heads remained as ordinary members. In addition, the State UMNO Youth and Women's movements were each entitled to two representatives, including their respective leaders, in the SLC.

At the Divisional level the Centre's links to and control over the Divisions were reinforced.<sup>36</sup> The DEC's powers were reduced. It was now empowered only to consult the SEC over the nomination of candidates for Federal and State elections.<sup>37</sup> Its power over local election matters was, however, strengthened, while its power over the removal of any DEC members was now fully vested in the SEC. Changes in the DEC's membership were also made. In addition to the Head and Deputy Head, there were now only three Vice-Head posts and these included the respective leaders of the Divisional UMNO Youth and Women's movements. The number of elected ordinary members was increased from ten to twelve. These members, apart from the leaders of the UMNO Youth and Women's movements, were now elected by the DDM once in two years. The Secretary, Treasurer and Information Chief and five ordinary members were appointed for a two-year period by the Division Head. Several changes were also made at the Branch level. The limited powers of the BEC over election matters were repealed and Central control over its activities was further tightened.<sup>38</sup>

The membership of the UMNO GA was slightly changed. In addition to SEC members, delegates from affiliated associations and Division Heads, the number of delegates from each of the Youth and Women's movements was increased from three to five. Ordinary delegates to the GA were, as before, to be elected by the annual DCR but on a new basis.<sup>39</sup> The participation of the SLC Chairman as a non-voting delegate was abolished. At the Division and Branch levels the membership of the DCR and BGM remained unchanged.

The UMNO Constitution was further amended at the Twenty-fifth UMNO GA on 29 June 1974.<sup>40</sup> The amendments affected especially the Division level of the party organization. The size of a Division's delegation to the GA was limited to a maximum of ten representatives to be elected by the DCR. Previously the size of a Division's membership had determined the size of its delegation. This limitation, potentially, would tend to reduce the influence of Division Heads who were alleged to have increased, through vote-buying, the number of 'bogus' members in their Divisions and in

this way attempted to increase the number of their Division's delegates at the UMNO GA.<sup>41</sup> The size of each State's delegation to the UMNO GA now depended not on the size of UMNO membership but on the number of Divisions in each State. This in turn depended on the number of Federal electoral constituencies in each State because the UMNO Constitution provided that a Division should be established in each constituency. The number of Federal constituencies varies from two in Perlis to twenty-one in Perak and accordingly the maximum number of Divisions possible varies. The amendment thus provided for a permanent unequal representation of States in the UMNO GA. The size of a Branch delegation to the DCR was also limited to a maximum of five delegates, to be elected by the respective BGMs.

Further, the Division Head's position within the DEC was strengthened by an amendment which provided that the Division Head could be expelled from the DEC only by the SEC. This must also be supported by two-thirds of the DEC members. In supporting this amendment, Tun Abdul Razak, the UMNO President, explained to the GA that

... since the emergence of a new feeling at the Division level, several tactics seem to have emerged and these were being used by a minority group to win power. One method used by them was to persuade Divisional Committee members to move a motion of no-confidence against the Division Head so as to topple him and suggest a new Head. This sort of thing did not occur before but I see that this would spread if it is not controlled from now on.<sup>42</sup>

The amendment thus strengthened the Division Heads' position but at the same time made them more dependent on the support of Central leaders. The influence of the latter over the Divisions would thus tend to be enhanced. The 1974 amendments thus increased the power of the National UMNO leadership.

Further amendments to the UMNO Constitution were made at the special UMNO GA of 8 July 1979.<sup>43</sup> In a speech supporting the proposed amendments the UMNO President then, Dato (later Tun) Hussein Onn, argued that the UMNO Constitution, like the Federal Constitution, was a living document and as such must be amended from time to time to keep up with current situations and needs.<sup>44</sup> These amendments further centralized power within the party. The SEC was provided with absolute powers to suspend or dissolve any SLC, Division or Branch committee. However, the Central leaders failed to block an amendment from the floor which

curtailed their powers over the nomination of election candidates. This amendment provided that any election candidate had to have been a member of the party for at least five years without any exception whatsoever. The Central leaders were defeated by a massive 409 votes to 111. For the first time in UMNO's history the leadership was defeated on an issue in the GA. This to a large extent 'reflected the dissatisfaction of grass-root leaders over the recent trend of co-opting able young leaders from the civil service and the professions and other newcomers to the party'.<sup>45</sup>

At this Special UMNO GA the Central party leaders proposed an amendment which was designed to overcome, through the convening of a State UMNO convention, the weaknesses of the party at the State level. This amendment was made in response to the need for a State-level forum within which State-level UMNO politicians would have the opportunity to participate in formulating UMNO policy. This need had been frequently expressed before. Dato Hussein Onn in his speech to the GA stated that so far the SEC had concentrated on activities at the Federal level but now the State-level need must somehow also be met.<sup>46</sup> He believed that this need could best be met through the convening of a State UMNO convention which would enable State-level UMNO politicians to participate in solving State problems. Furthermore, such conventions would enable the party's top (Central) leaders to strengthen their relations with top State leaders thus providing them with the trust and confidence to implement their tasks and responsibilities at the State level. The GA approved the amendment which required the SLC to convene a State UMNO convention at least once a year. The SEC, however, was empowered to determine any matters concerning the convention. The role of the SLC was limited to determining the duration of the convention and the number of delegates from each Division in the State.<sup>47</sup>

### *The UMNO Supreme Executive Council and State Liaison Committees*

Following the 1960 reorganization of UMNO the pivotal body within UMNO has been the SEC where formal power became centralized. The strength of this centralization is further indicated by the composition of the SEC, UMNO's chief executive body. Since Malayan Independence the President and Deputy President of UMNO have been respectively the Prime Minister and Deputy

Prime Minister. Since 1960 the SEC's membership has been consistently, overwhelmingly, and even increasingly made up of Central Cabinet and Deputy Ministers, and Members of Parliament. Central Cabinet and Deputy Ministers consistently make up one-quarter or more of the SEC's membership. The number of *Mentri Besar* and Chief Ministers in the SEC has gradually increased. However, apart from these *Mentri Besar* and Chief Ministers, there have been very few State Exco members or Assemblymen in the SEC. Table 8.1 shows the numbers in each of these categories.

The UMNO President's influence within the SEC owes much to his being the Prime Minister but is strengthened by the fact that he is empowered to appoint, at his discretion, additional members to the SEC, as Table 8.2 indicates.<sup>48</sup> Of late the President has used this power to appoint those *Mentri Besar* and Chief Ministers who had not been elected by the UMNO GA as SEC members. A remarkable feature of the SEC's membership, especially of its executive officers, is its continuity and stability. This, indeed, is an index of the strength of Central UMNO leaders and the hold they have over the party. Another remarkable feature is the unequal representation of States in the SEC. Table 8.3 illustrates this.

At the State level the UMNO SLC provides the link between the SEC and lower party bodies. The SLC is formally under the SEC's control and has no formal existence without the SEC's approval. The SLC's Chairman and Deputy Chairman are appointed by the UMNO President. More often than not, the SLCs' Chairmen have been National (usually Central Cabinet Ministers and sometimes even the Prime Minister or Deputy Prime Minister) and not State leaders. In short, representatives of the Centre have been delegated State responsibilities. Thus National or Central leaders provide and control the link between the highest and lower levels of the party and consequently tend to increase the Central sway over the party. Not all States, however, have National leaders as Chairmen of their SLCs. It may well be that these States are perceived as 'safe' rather than that the State leaders, as SLC Chairmen, have sufficient 'strength' to thwart Central intervention. Appointments either as the SLC's Chairman or Deputy bestow Central recognition of leadership status in a State. These are sought after and fought over but only the Centre, UMNO President, can appoint. Cultivating the support and confidence of Central leaders is thus critical. In cases where the *Mentri Besar* are Chairmen of SLCs the usual



TABLE 8.1  
 UMNO Supreme Executive Council Members according to Their Posts in the Central or State Governments and  
 Seats in Parliament or State Legislative Assemblies, 1957-1979

Post/Seat	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1971	1972-5	1975-8	1978-9
<i>Central Government</i>																
<i>Posts</i>																
Prime Minister	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Deputy Prime Minister	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Cabinet Minister	6	7	7	6	5	5	6	6	7	8	8	6	9	13	10	11
Deputy Minister	-	-	2	3	3	1	2	1	-	-	-	-	2	4	7	4
MP (ordinary)	8	6	2	3	5	3	4	6	7	6	8	8	6	5	5	3
Federal Councillor	16	15	13	14	15	11	14	15	16	16	18	15	19	24	24	20
Central Total																
<i>State Government Posts</i>																
Mentri Besar or																
Chief Minister	-	-	2	5	4	7	6	7	6	5	7	9	6	9	9	10
Exco Member (ordinary)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
State Assemblyman	6	6	3	5	6	7	5	1	1	1	1	2	1	-	2	1
State Total	6	6	5	10	10	14	11	8	7	6	8	11	7	9	11	11
Combined Central & State Total	22	21	18	24	25	25	23	23	23	22	26	26	26	33	31	31
Total SEC Membership (including members without Govt. Posts)	32	31	27	30	28	28	27	27	27	27	33	34	33	38	40	36

Source: UMNO, *Penyata Tahunan* (Annual Report), 1957-79, and information from UMNO Headquarters, Kuala Lumpur.

TABLE 8.2  
 UMNO Supreme Executive Council: Number of Members Elected or Appointed under the  
 1955, 1960, and 1971 UMNO Constitutions

Post	1955 Constitution		1960 Constitution		1971 Constitution	
	Elected	Appointed	Elected	Appointed	Elected	Appointed
1. President	by Annual GA	-	by Annual GA	-	by GA triennially	-
2. Deputy President	by Annual GA	-	by Annual GA	-	by GA triennially	-
3. Vice Presidents	3, by Annual GA	-	3, by Annual GA	-	3, by GA triennially	-
4. Youth Leader	by UMNO Youth	-	2 leaders of Youth & Women's Movements	-	2 leaders of Youth & Women's Movements	-
5. Women's Leader	by Women's Movement	-	-	-	-	-
6. Secretary-General	-	by President	-	by President	-	by President
7. Information Chief	-	by President	-	by President	-	by President
8. Treasurer	-	by President	-	by President	-	by President
9. Others elected	15 by GA	-	15 by GA	-	20 by GA	-
10. Others appointed	-	7 by President	-	5 by President	-	7 by President
Total	22	10	22	8	27	10

Sources: UMNO, *Undang-undang Tubuh Pertubuhan Kebangsaan Melayu Bersatu, 1955* (The Constitution of UMNO, 1955), Dipersetujui dan diluluskan oleh Persidangan Perhimpunan Agung UMNO yang ke 10, 25-26 Disember 1955; UMNO, *Undang-undang Tubuh Pertubuhan Kebangsaan Melayu Bersatu* (The Constitution of UMNO), Dipersetujui dan diluluskan oleh Persidangan Perhimpunan Agung UMNO yang Ketiga Belas pada 16-17 April 1960; UMNO, *Perlembagaan UMNO* (UMNO Constitution), Dipersetujui dalam Persidangan Perhimpunan Agung Khas, pada 8 dan 9 Mei 1971.  
 GA-General Assembly of UMNO.

TABLE 8.3  
State Representation in the UMNO Supreme Executive Council: Executive Posts Compared to  
Total Membership of UMNO Supreme Executive Council, 1957-1979

State	1957		1958		1959		1960		1961		1962		1963		1964		1965		1966		1967		1968		1971		1972-5		1975-8		1978-9			
	a	b	a	b	a	b	a	b	a	b	a	b	a	b	a	b	a	b	a	b	a	b	a	b	a	b	a	b	a	b	a	b		
Johore	5	7	3	7	2	6	3	6	3	4	3	5	3	5	2	5	1	5	1	5	1	4	1	7	3	7	3	8	1	6	3	7		
Kedah	3	6	2	5	2	4	3	6	4	5	4	5	4	6	5	6	5	6	5	6	5	7	5	7	2	6	1	5	2	4	1	3		
Kelantan	0	1	0	2	0	2	0	1	0	1	0	1	0	2	0	2	0	2	0	2	0	3	0	1	1	1	1	3	1	4	1	3		
Malacca	0	1	0	0	0	0	0	1	0	1	1	1	1	1	1	1	1	1	1	1	1	1	2	1	2	1	1	2	1	2	1	2		
Negri Sembilan	0	1	1	1	1	1	0	1	0	1	0	1	0	1	0	1	0	0	1	0	0	1	0	1	0	2	0	2	0	2	0	3		
Pahang	1	3	0	3	1	2	1	3	1	2	1	3	1	3	1	3	1	3	1	3	1	2	1	3	1	4	1	4	1	4	0	4		
Penang	0	1	1	0	1	0	2	0	2	0	2	0	2	0	2	0	1	0	1	0	1	0	1	0	1	0	1	0	1	0	1	0	1	
Perak	0	4	0	3	1	2	1	2	1	4	1	3	0	3	0	1	0	2	0	2	0	4	0	3	0	2	0	2	0	2	0	2	0	3
Perlis	0	1	1	0	1	0	1	0	1	0	1	0	0	1	0	0	1	0	0	0	1	0	0	1	1	3	1	2	1	2	1	2	0	1
Selangor	0	4	0	3	1	3	1	3	1	3	0	3	0	2	0	2	0	2	0	2	0	4	0	4	0	2	1	2	2	4	2	7	3	7
Trengganu	0	1	0	2	1	3	1	3	0	3	0	2	0	2	0	3	1	3	1	3	1	3	0	3	0	3	0	2	0	2	0	3	0	2
Total	9	31 <sup>1</sup>	9	30 <sup>2</sup>	9	26 <sup>1</sup>	10	30 <sup>1</sup>	10	28 <sup>1</sup>	9	28 <sup>1</sup>	9	28 <sup>1</sup>	9	27 <sup>1</sup>	9	27 <sup>2</sup>	9	27 <sup>1</sup>	9	27 <sup>1</sup>	9	34	10	33 <sup>3</sup>	10	38 <sup>1</sup>	9	40 <sup>3</sup>	9	40 <sup>3</sup>	9	36

Sources: UMNO, *Pernyataan Tahunan* (Annual Report), 1960-79; and information from UMNO Headquarters, Kuala Lumpur.

Note: Column (a) Executive Posts in SEC; Column (b) Total number of Members in SEC.

<sup>1</sup>One unknown State of origin.

<sup>2</sup>Two unknown State of origin.

<sup>3</sup>Three unknown State of origin.

procedure is, first, the appointment as *Mentri Besar*, and then the *Mentri Besar*'s appointment as Chairman of the SLC.

The SEC's formal membership indicates the dominance of UMNO's Central leaders and, most importantly, the merging of top party posts with top Central Government posts through the occupation of such posts by the same persons. Almost all *Mentri Besar* and Chief Ministers, either through appointment or election, are also members of the SEC. Since the UMNO-dominated coalition (the Alliance and the BN) has controlled the Central and most of the State Governments, the SEC thus lends itself as an extra-constitutional arena for handling and co-ordinating, perhaps tightening, Centre-State relations.<sup>49</sup> There is, however, no similar merging of the *Mentri Besar*'s or Chief Minister's posts with the top party posts at the State level simply because there is no autonomous State UMNO body that could be captured and controlled.

Formally at least, the SLC does not enjoy an independent existence. It was designed as an arm of the Centre in the State. Since UMNO Divisions and Branches are already directly linked to the Centre, the impact of this is to strengthen the centralization and integration of the party. Not surprisingly several attempts at strengthening the SLC, and hence the State party body, have been made. A year after the introduction of the 1960 UMNO Constitution, at the Fourteenth UMNO GA on 6 and 7 May 1961, the Batu Gajah UMNO Division in Perak proposed a constitutional amendment which was designed to guarantee equal State representation in the SEC and increase the SLC's power: the SEC should comprise two persons from each State, chosen and sent by members of the SLC. This proposal was rejected.<sup>50</sup>

In May 1976 several Perak UMNO State Assemblymen expressed the need for a State-level delegates' meeting to co-ordinate the party and the Government. They argued that in the past such a delegates' meeting was held annually with representatives from each UMNO Division in the State, but now 'the relationship between the divisions, the State UMNO and the [State] Government is such that it is not conducive for members to air their views'.<sup>51</sup> Dato Sri Mohamed Ali Zaini, a member of the Perak SLC, agreed that an extraordinary State delegates' meeting should be held. As its chairman designate, he pointed out correctly that 'The UMNO Constitution does not provide for a State level delegates' meeting. But for the good of the party the meeting should be held'.<sup>52</sup> Such a meeting could only be formally held with the agreement not only of the Perak SLC Chairman, Tan Sri Ghazali Jawi who was

then also the Mentri Besar, but also of the UMNO President and the SEC. Such a meeting, however, did not eventuate.

The clearest call to restructure the party within the State was made in January 1977 by the Taiping Barat UMNO Branch in Perak. At its Sixth Annual General Meeting, the Branch adopted a resolution urging the UMNO SEC to take immediate steps to amend the Constitution so that the SLC could be replaced by a proper State Committee. The resolution proposed the establishment of a State Committee whose chairman and members should be elected from and by the UMNO Divisions in the State. The resolution stated that

At present, the various State Liaison Chairmen were chosen by the UMNO National President. It is often found that such appointed chairmen seldom command the majority confidence of the divisions and branches. The only way open to achieve this objective is that UMNO State Liaison chairman must be elected by the divisions in that particular State.<sup>53</sup>

A similar call was made by Datuk Ghani Ishak, the Chief Minister of Malacca, in September 1978.<sup>54</sup>

The above calls were not totally ignored as indicated by the 1979 amendment of the UMNO Constitution which required the SLC to convene an annual State UMNO convention. However, this fell far short of what was demanded. The SLC remained unchanged. According to Ratnam and Milne, 'The status of these committees has been a source of some disagreement within the UMNO, for it has been felt by the lower levels that entrenched cliques have tended to use them to promote their own interest. The Liaison Committees have consequently been given very few powers in recent years.'<sup>55</sup> At the State level the SLC was and is still perceived as an influential body capable of influencing State politics and the careers of State politicians.<sup>56</sup>

### *Discussion and Conclusion*

Formal power within UMNO, with the exception of the 1955-60 period, has been progressively centralized. The impact has been to make the SEC increasingly powerful and pivotal within UMNO. The SEC as UMNO's chief executive body has been consistently composed of and dominated by Central UMNO leaders who were at the same time Central Government Ministers. This tended to increase the Central sway of the party.

As the pivotal body within UMNO the SEC has direct and

substantial powers over party affairs within State boundaries through its direct control of both the SLCs and UMNO Divisions. The SLC, as a Centrally-controlled monitoring and co-ordinating body, is a poor substitute for and is not an autonomous State party body. It is provided with minimal powers and led by a Central appointee, usually a Cabinet Minister. There is thus no autonomous State-level party body which could be captured and used by State leaders. They thus have to depend on a Centrally (SEC)-controlled party machine to maintain their leadership positions in the State. The SEC's control over the nomination process, through which Central leaders determine the pattern of elite recruitment, further emphasizes this dependence.<sup>57</sup>

Party elections, the living part of the party's living Constitution according to Sartori,<sup>58</sup> determine the party's career system. Within UMNO elections are organized hierarchically at, and upward from, the Branch, Division, and National levels but bypassing the State level. UMNO leaders in a State can thus hope to win control electorally of a Division but this, though important, does not furnish a big enough political base within the party. Ambitious State leaders who are anxious to consolidate their political bases, with no opportunities to win elections to State-level party posts, are thus required to participate actively in elections at the National or Central level. The party's career system, thus, tends to further emphasize the importance of the Centre.

To State leaders, including *Mentri Besar* and Chief Ministers, participation at the Centre means becoming involved in UMNO GA politics, especially over the election of SEC members. In this control over State delegates' votes in the GA is crucial. This is one resource that State leaders can use effectively at the Centre, assuming that they effectively control the votes of delegates from their States. In short, are they effective vote managers? Occurrences of 'block-voting' by States in the GA elections have been frequent and these evidenced the presence of State vote managers. The number of delegates' votes is also crucial to the effectiveness of vote managers and the practice, noted earlier, of creating 'bogus' membership was aimed at increasing this number. Milne and Mauzy are convinced that since 'the votes of the delegates from a state were largely controlled by the *Mentri Besar* or Chief Minister, this ["bogus" membership] increased the power of the state leaders'.<sup>59</sup> The importance of GA delegates' votes to State vote managers has, however, been reduced by two developments: first,

the 1974 amendment limiting the number of GA delegates to which each Division is entitled; second, voting in the GA was made secret in 1975 in an apparent attempt to eradicate block-voting. The one resource that State leaders had access to and which they could at least hope to control was thus devalued. Their dependence on the Centre is further underlined.

In an obvious reference to the interdependence argument—that decentralization and lack of cohesion in the party system are based on the structural fact of federalism—Indorf argued that in Peninsular Malaysia the federal structure has contributed toward a proliferated party system.<sup>60</sup> He wrote:

Traditional Rulers and their states still command the strongest loyalties. This cohesion has fostered active political regionalism which created its own anti-body against political infiltration from sources external to the State, thereby maintaining the parochial character of party politics, either through an independent party or as an autonomous state unit of a national organisation.<sup>61</sup>

There are many parties but so far only Kelantan and Penang have provided 'safe' bases for Opposition parties. The party system is dominated by an UMNO-dominated coalition. As far as UMNO is concerned there is, however, no autonomous State party unit within its structural make-up. Thus, despite the federal structure, UMNO has been able to become, through the centralization of power, a highly and formally tightly-knit political organization. Within this structure the SLCs and later the State UMNO conventions appear as empty concessions to the federal structure. The interdependence argument does not seem to fit in Peninsular Malaysia's case.

UMNO was established to counter the threat to Malay rights posed by the Malayan Union Scheme. Its establishment also initiated the process of national orientation amongst previously State-orientated Malay leaders. Malay unity was essential to UMNO's opposition to the Scheme and to achieve this it was required to develop organizationally at all levels. UMNO's success in having the Malayan Union Scheme withdrawn was due, not least, to its success in penetrating the States and mobilizing the Malays on a Pan-Malayan basis. This success was salutary in that for the first time the capture and domination of the political Centre was not beyond the reach of Malays provided that they were united. This success was to be followed by UMNO's involvement, together with the Sultans and later the MCA, in negotiations with the British for

an alternative political structure. UMNO leaders also realized that the future political stability of a multi-communal Malaya depended not only on UMNO's domination of the political Centre but also on a political arrangement with the parties representing the non-Malays at both the Centre and State levels. For both communal unity was and still is vital. UMNO leaders believed that only a highly centralized and tightly-knit UMNO could maintain Malay unity and at the same time enable it to enforce at the State level any multi-communal bargain with non-Malay parties. It was thus not surprising that Central UMNO leaders were quick to repair the perceived damage caused by the establishment of fully-fledged State UMNO organizations as real centres of power. For they saw this damage not only in terms of communal solidarity but also in terms of their ability to control party affairs at the State level. With communal solidarity undermined and control over State party affairs reduced, Central UMNO leaders might not have been able to bargain with the non-Malay parties from a position of strength and if a bargain was struck they would be in a weak position to have it accepted at the State level. Malay communalism then is a centralizing force within UMNO. It is a force that cannot be contained by a federal structure precisely because it traverses State boundaries and seeks resolution at the Centre. With a strong Centre and a relatively weak State position within the Peninsular Malaysian Federation the centralizing tendency of communalism is enhanced. For UMNO communalism indeed was the original causal force but centralization has subsequently been pushed by other factors including the impatience of Central leaders with any check on their power, developmental drives, and needs of national identity.

UMNO has been singularly successful in establishing its dominance at the Centre and in most States, with the exception of Penang and Kelantan (before 1978). This enduring success must reflect, at least, its ability to speak for and hold together many Malays who are active in politics at the State and local levels. This is the basis of its strength. UMNO's enduring success is a magnet and makes it all but indispensable to those aspiring Malay politicians in all States. Having made the choice to be in UMNO they have to play the game according to, at least, the formal rules that shape the relations of power within the party. These rules are heavily weighted in favour of the Centre and, consequently, UMNO has developed into a formally highly-centralized and tightly-knit party organization.



1. See Ishak bin Tadin, 'Dato Onn and Malay Nationalism, 1945-51', *Journal of Southeast Asian History*, Vol. 1, No. 1, March 1960, p. 61; Mohamed Nordin Sopiee, *From Malayan Union to Singapore Separation: Political Unification in the Malaysia Region, 1945-1965*, Kuala Lumpur, Penerbit Universiti Malaya, 1976, pp. 24-9; A. J. Stockwell, *British Policy and Malay Politics during the Malayan Union Experiment, 1942-1948*, Kuala Lumpur, Malaysian Branch of the Royal Asiatic Society, Monograph No. 8, 1979, pp. 64-72; D. E. Moore, 'The United Malays National Organization and the 1959 Malayan Elections', Ph.D. dissertation, University of California, 1960, Chapter 1; G. P. Means, *Malaysian Politics*, 2nd ed., London, Hodder & Stoughton, 1976, pp. 98-102 and 112-14.
2. See J. de V. Allen, *The Malayan Union Scheme*, New Haven, Yale University Press, 1967, Chapter 1; Stockwell, *British Policy and Malay Politics*, Chapter 4; R. S. Milne and D. K. Mauzy, *Politics and Government in Malaysia*, Vancouver, University of British Columbia Press, 1978, pp. 26-9.
3. Stockwell, *British Policy and Malay Politics*, pp. 69-70; UMNO, *20 Tahun Pertubuhan Kebangsaan Melayu Bersatu*, 1966, p. 36.
4. Stockwell, *British Policy and Malay Politics*, p. 118.
5. UMNO's original constitution prevented it from accepting direct individual membership and establishing its own branches. Individuals were members of UMNO only through being members of the separate associations which were affiliated to UMNO.
6. Stockwell, *British Policy and Malay Politics*, p. 118, n. 65.
7. Interviews with senior UMNO officials. See also Stockwell, *British Policy and Malay Politics*, pp. 119-21. As it was, several political associations and clubs were present in each State and they were affiliated to UMNO. The consolidation of UMNO at the State level would thus depend on the willingness of such associations and clubs to dilute, perhaps dissolve, their separate identity and autonomy. Selangor was at the forefront of this reorganization drive.
8. See Means, *Malaysian Politics*, pp. 139-40.
9. Passed at the Tenth UMNO General Assembly, 25-26 December 1955. UMNO, *Undang-Undang Tuboh, Pertubuhan Kebangsaan Melayu Bersatu*, Dipersejajarkan dan diluluskan oleh Persidangan Perhimpunan Agong UMNO yang ke 10, 25-26 Disember 1955 (UMNO, *Constitution of the United Malays National Organisation*, Agreed and passed by the Tenth UMNO General Assembly, 25 and 26 December 1955).
10. In a speech given to UMNO's Thirteenth General Assembly, 16 April 1960. See UMNO, *Penyata Tahunan, 1959/60*, p. 24.
11. One delegate each for every 1,000 ordinary or affiliated members and 750 ordinary women members respectively in the State or one delegate from those among 1,000 and 750 respectively who had paid their party fees for that year.
12. One delegate each for every 500 ordinary or affiliated and 300 ordinary women members respectively in each Division or from among the 500 and 300 respectively who had paid their party fees for that year.
13. One delegate for every 100 and 50 ordinary or affiliated men and women members respectively or from the 100 and 50 respectively who had paid their party fees for that year.
14. See UMNO, *Penyata Tahunan, 1953*, p. 69.
15. See Moore, *op. cit.*, pp. 63-9, and Means, *Malaysian Politics*, p. 196. These factions and groups were historically rooted in the various States. See J. M. Gullick,

*Indigenous Political Systems of Western Malaya*, London, The Athlone Press, 1969, pp. 11-14 and 87-91.

16. State party organizations were, formally at least, able to drag their feet, perhaps even ignoring Central party directives and policies. These were important and concerned especially the cementing of relations within the Alliance. The effectiveness of Central party policies designed to achieve this, for example, the allocation of seats to the component parties within the Alliance, depended on their being accepted at the State level. Factionalism, apart from weakening the party, rendered the acceptability of Central party policies and directives both problematic and subject to the vicissitudes of factionalism. The pressures for decentralization were greatest when UMNO National leaders had to work out compromises among Alliance partners over difficult issues, especially candidate selection. At these times they were especially anxious to strengthen party discipline and centralize the party apparatus.

17. Moore, *op. cit.*, p. 116.

18. Quoted in *ibid.*, p. 118.

19. Tun Abdul Razak took over as Prime Minister.

20. Quoted in Moore, *op. cit.*, p. 151.

21. UMNO, *Penyata Tahunan, 1959/60*, p. v.

22. See Tunku Abdul Rahman's speech at the Thirteenth UMNO General Assembly, 16 April 1960. Reprinted in *ibid.*, pp. 22-32. See especially pp. 23-4.

23. *Ibid.*, p. vi. The *Malay Mail*, 18 April 1960, reported, however, that the Selangor and Malacca State UMNO units opposed these amendments which were contained in UMNO, *Undang-Undang Tuboh, Pertubohan Kebangsaan Melayu Bersatu*, Dipersetujui dan diluluskan oleh Persidangan Perhimpunan Agung UMNO Yang ke-Tiga Belas, pada 16 dan 17 April, 1960 (UMNO, *Constitution of the United Malays National Organisation*, Agreed and passed by the Thirteenth UMNO General Assembly held on 16 and 17 April 1960).

24. In Malacca there was only one Division, controlled by Ghafar Baba, who was then the Chief Minister, for the whole State. There were four Federal electoral constituencies in Malacca in 1960. Thus the one Division then in Malacca would have to be reorganized into four Divisions. This would reduce Ghafar Baba's political grip on UMNO in Malacca. UMNO in Malacca was reorganized into four Divisions only in 1973 and this testified to his political strength in Malacca as well as nationally.

25. The question was and still is this: how could the SEC effectively keep an eye on the great number of Divisions? In 1961 there were 77 UMNO Divisions and by 1979 the number was 114 (equal to the number of Federal electoral constituencies). See UMNO, *Penyata Tahunan, 1961*, pp. 42-6, and UMNO, *Penyata Tahunan, 1979/80*, pp. 17-31. One way of controlling Divisions would be through ensuring that Central leaders (Cabinet Ministers, Deputy Ministers, or Members of Parliament) or their supporters at the State level become the Division Heads, as the case of Pahang (examined in Chapter 9) indicates. However, the SEC's control over Divisions, as notes 36 and 41 suggest, has been uncertain.

26. One delegate for the first 500 members who have paid their party fees for the current year and one additional delegate for every other 250 members who have paid their party fees for the current year.

27. UMNO MPs were also entitled to attend but they had no voting rights.

28. One delegate for every 50 members who have paid their party fees for the current year.

29. The UMNO GA has rarely voted against the SEC's actions. However, in

1979, the UMNO GA adopted a resolution, as will be discussed later, that was clearly opposed by the party leaders in the SEC.

30. K. von Vorys, *Democracy Without Consensus: Communalism and Political Stability in Malaysia*, Princeton, N.J., Princeton University Press, 1975, p. 254.

31. UMNO, *Perlembagaan UMNO*, Di-persetujukan dalam Persidangan Perhimpunan Agung Khas, pada 8 dan 9 Mei, 1971 (UMNO, *Constitution of the United Malays National Organisation*, Approved at the Special General Assembly on 8 and 9 May 1971). This will be referred to simply as the '1970 UMNO Constitution'. See also UMNO, *Penyata Tahunan, 1971/1972*, p. 177. The SEC was renamed Majlis Tertinggi (MT) or Supreme Council (SC). For consistency the term 'SEC' will be used.

32. *Straits Times*, 10 May 1971.

33. UMNO, *Penyata Tahunan, 1971/1972*, p. 179.

34. *Ibid.* The voting was 180 votes for and 175 against.

35. The SLC was renamed Badan Perhubungan (BP) or Liaison Committee (L.C). For consistency the term 'SLC' will be used.

36. Changes at the Division level, according to a top official, were aimed at the entrenched positions of the lower echelon party leaders who had been in positions of control for far too long. This official described the situation in this way: 'A man may have been chairman of a branch or division since 1946. His wife is the chairman of the local Kaum Ibu. His son is the Chairman of the local Pemuda. His daughter is the Secretary of the Kaum Ibu. It is a family affair. . . . They create little empires of their own and carve out spheres of influence. Sometimes the State leadership is held to ransom by these local warlords. They distribute patronage among their own followers. As a result party machinery stagnates, as we found to our cost during the last 1969 elections.' *Straits Times*, 22 January 1971.

37. The DEC was renamed Jawatankuasa Bahagian (JB) or Division Committee (DC). For consistency the term 'DEC' will be used.

38. The BEC was renamed Jawatankuasa Cawangan (JC) or Branch Committee (BC). For consistency the term 'BEC' will be used.

39. One delegate for every 500 members who have paid their party fees for the current year. The DCR and BGM were renamed respectively as Divisional Delegates Meetings and Branch Conference. For consistency the terms 'DCR' and 'BGM' will be used.

40. UMNO, *Perlembagaan UMNO, 1974*, Di-persetujukan dalam Persidangan Perhimpunan Agung ke 25 pada 29 Jun, 1974 (UMNO, *Constitution of UMNO, 1974*, Approved at the Twenty-fifth General Assembly on 29 June 1974).

41. That such practices existed was indicated by Khir Johari in June 1968. See *Straits Times*, 17 June 1968. Such practices were widespread according to Senu Abdul Rahman, then UMNO Secretary-General. See UMNO, *Penyata Tahunan, 1974*, p. 2. The amendment was designed to break the Division Heads' grip on Division delegates to the GA. Vote-buying was also rampant especially during elections for the Division Head's post, considered a necessary first step toward winning nomination for either Federal or State election.

42. Tun Abdul Razak's speech entitled 'Cabaran Untuk Keamanan' (or 'Challenge for Peace') to the Twenty-fifth UMNO GA, in UMNO, *Penyata Tahunan, 1974/75*, p. 120.

43. UMNO, *Perlembagaan UMNO 1979*, Di-persetujukan dalam Perhimpunan Agung Khas pada 8hb Julai 1979 (UMNO, *Constitution of UMNO, 1979*, Approved at the Special General Assembly on 8 July 1979). See also *The Star*, 9 July 1979.

44. *New Straits Times*, 9 July 1979. See also Dato Hussein Onn's speech, 'Jangan

Pagar Makan Padi' [The Fence Must Not Eat the Padi], in UMNO, *Penyata Tahunan, 1979/80*, pp. 385-92.

45. *New Straits Times*, 10 July 1979. Before this amendment the eligibility period was two years and exceptions could be made on several grounds by the SEC leaders. Not coincidentally the amendment was proposed by a Pahang Division of UMNO; 'Not coincidentally' because certain groups in Pahang had opposed the Centre's use of its nomination powers to bring in a new set of young politicians in Pahang, as will be discussed in the next chapter.

46. UMNO, *Penyata Tahunan, 1979/80*, p. 386. See also *New Straits Times*, 28 May 1979.

47. *New Straits Times*, 7 December 1979.

48. The President of UMNO, with the exception of Suleiman Palestine's candidacy for the UMNO Presidency against Hussein Onn in 1978, has always been elected unopposed.

49. The appointments of Mentri Besar and Chief Ministers by the President of UMNO as SEC members were designed to make the SEC into such an arena for coordinating Centre-State policies.

50. UMNO, *Penyata Tahunan, 1961*, p. 23.

51. *New Straits Times*, 6 May 1976.

52. *Ibid.*, 22 June 1976.

53. *The Star*, 6 January 1977.

54. *New Straits Times*, 18 September 1978. Significantly both calls, one by those in Perak and the other by those in Malacca, were made in the midst of an unresolved competition for power at the State level. In the case of Perak those against the Mentri Besar, Tan Sri Ghazali Jawi, believed that his position had been further strengthened by his position as Chairman of the Perak SLC—a position that was bestowed on him by the Centre; similarly, also, in the case of Malacca where Ghani Ishak was competing for the Chief Minister's post. For the dissidents in Perak and Malacca, a change in the procedure for determining the composition of the SLC, especially that of its Chairman, from one determined by the Centre to one determined by the State through election would provide the opportunity for the dissidents to undermine the Mentri Besar's and Chief Minister's positions respectively. In both cases the result would have been a reduction in the Centre's dominance or State's dependence on the Centre.

55. K. J. Ratnam and R. S. Milne, *The Malayan Parliamentary Election of 1964*, Kuala Lumpur and Singapore, University of Malaya Press, 1967, p. 33.

56. This perception was evident during the Pahang crisis over the nomination of election candidates and appointment of the Mentri Besar, as will be discussed in the next chapter.

57. The SEC's and UMNO President's use of this power was clearly evident in the Centre's imposition of a candidates' line-up for the State elections in Pahang, as the next chapter indicates.

58. G. Sartori, *Parties and Party Systems: A Framework for Analysis*, Vol. 1, London, Cambridge University Press, 1976, p. 97.

59. Milne and Mauzy, *op. cit.*, p. 133 and also p. 203.

60. H. H. Indorf, 'Party System Adaptation to Political Development in Malaysia during the First Decade of Independence, 1957-1967', Ph.D. dissertation, New York University, 1969, pp. 196-7.

61. *Ibid.*, p. 197.

## Pahang: Endau-Rompin, an Episode of Centre-State Relations

THE dominant pattern of Centre-State relations in Peninsular Malaysia is one between an UMNO-dominated Centre and UMNO-dominated States. This does not, however, preclude conflict between the Central and State Governments. The Endau-Rompin controversy was just such a case of Centre-State conflict between the UMNO-dominated Central and Pahang State Governments. The party became the arena within which the conflicting interests of Centre and State were handled.

The Endau-Rompin controversy was one of those rare cases of conflict between the UMNO-dominated Central and State Governments which was debated, sometimes heatedly, under public gaze. Before this, Centre-State conflict of similar intensity and conducted also under public gaze had involved only the UMNO-dominated Centre and the PAS State Government of Kelantan. The relative rarity of such public exhibitions of Centre-State conflict is partly explained by UMNO's dominance at the Centre as well as in most States. Such conflict is usually part and parcel of intra-UMNO politics which is, to use Sartori's term, invisible.<sup>1</sup> The Endau-Rompin controversy for once made such conflict visible, providing an exception and a convenient case-study of Centre-State relations.

### *The Endau-Rompin Case*

Under the Central Government's Third Malaysia Plan 1976-1980, provisions were made to convert several natural forest reserves into National Parks. Endau-Rompin was one of these natural forest reserve areas scheduled as part of the National Park Plan.<sup>2</sup> The proposed National Park comprised 500,000 acres and included, as 'core' areas, 90,000 acres in Pahang and 120,000 acres in Johore. In the second year of the TMP it was revealed that the Pahang State Government had already leased 30,000 acres of this core area in

Pahang to a favoured few.<sup>3</sup> Of this 30,000 acres, 7,000 acres were then being logged by four of the six companies already granted logging concessions.

Environmentalists initiated a campaign against logging in Endau-Rompin, an area that they believed the Pahang State Government had in 1972 undertaken never to log.<sup>4</sup> Their campaign, effectively presented at public forums which were regularly reported in the press, in media advertisements, and on bumper stickers, received widespread public support. They appealed to both State and Central Governments to take the necessary steps to stop what they called the 'rape' of Endau-Rompin. The State Government defended its actions by arguing that it needed the revenue, declaring that human welfare was more important than animal welfare.<sup>5</sup> Amidst continuing public protest, the Deputy Director-General of the Ministry of Science, Technology and Environment, Mr S. T. Sundram, expressed that 'We are persuading the Pahang State Government to reconsider its stand and we are not without hope that wiser counsel will prevail'.<sup>6</sup>

Pahang obtains a substantial proportion of its revenue from land in the form of forest revenue<sup>7</sup> as Table 9.1 illustrates. Land is a State subject.<sup>8</sup> Not surprisingly Pahang viewed logging in Endau-Rompin as its own affair. The ensuing controversy centred on the Central Government's plan to include Endau-Rompin in a National Park. The proposed park encompassed an area that belonged to Pahang and included it in the TMP but only the State Government had the jurisdiction and power to gazette an area or areas in the State before logging could be stopped. Before gazetting the State was within its powers to exploit timber resources in such designated areas. The Menteri Besar of Pahang, Datuk Seri Mohammad Jusoh, reiterated that logging in the 30,000 acres of the proposed Endau-Rompin National Park was perfectly legal and indeed agreed to by planners, including ecologists, of the proposed park. He nevertheless emphasized that the State Government had 'no wish to abandon the park but its development should be suitable to the present needs of the government'.<sup>9</sup> It was an assertive stand on what the State viewed as its legitimate interests.

The Endau-Rompin controversy was raised during Parliamentary debate in July 1977.<sup>10</sup> The then Minister of Science, Technology and Environment, Tan Sri Ong Kee Hui, explained that the Pahang Government had agreed to the park being set up but this decision had been set aside and the Central Government

TABLE 9.1  
 Pahang: Revenue from Forests Compared to and as a Percentage of Total Tax Revenue  
 and Total Revenue, 1957-1975

Year	Revenue from Forests		Total Tax Revenue		Total Revenue (\$m.)
	\$m.	As Percentage of Total Tax Revenue	\$m.	As Percentage of Total Revenue	
1957	2.4	39.3	6.1	31.6	19.3
1958	2.6	42.6	6.1	48.8	12.5
1959	2.4	36.9	6.5	46.1	14.1
1960	3.5	44.9	7.8	46.2	16.9
1961	4.0	47.1	8.5	42.1	20.2
1962	5.0	50.0	10.0	45.2	22.1
1963	5.6	54.4	10.3	51.0	20.2
1964	6.4	57.0	12.1	53.3	22.7
1965	8.7	61.7	14.1	50.4	28.0
1966	11.9	75.0	18.4	55.6	33.1
1967	13.8	71.1	19.4	55.1	35.2
1968	19.8	78.3	25.3	59.1	42.8
1969	22.4	82.1	27.3	57.1	47.8
1970	28.6	84.1	34.0	61.7	55.1
1971	29.3	84.7	34.6	63.1	54.8
1972	35.1	86.1	40.6	66.1	61.4
1973	29.6	81.5	36.3	58.0	62.6
1974	33.2	83.0	40.0	60.5	66.1
1975	33.8	82.6	40.9	54.5	75.1

Source: Pahang, *Financial Statements*, Kuala Lumpur, Government Press, annually, 1957-75.

could not do anything. In response an UMNO MP, Mohamed Sopiie Sheikh Ibrahim, argued that because the Pahang State Government had reneged on its earlier agreement the Central Government should now take tougher measures, including the use of sanctions and the withholding of financial grants, against the State Government. The Minister replied that the Cabinet would consider this suggestion.

In early August 1977 the Minister of Science, Technology and Environment indicated that his Ministry had been making representations to the Pahang Government. However, the State Government had decided to continue logging in the core area of the park. The Minister also reaffirmed his Ministry's stand against logging in the Endau-Rompin area while noting also that only the State Government could stop the logging operations. He promised, however, that his Ministry was taking steps to ensure that future agreements between the State and Central Governments on national parks and conservation areas would be adhered to by the parties concerned even though those areas had not been gazetted.<sup>11</sup>

Despite continuing public protest and Central Government concern, the Pahang State Government planned to step up logging in the Endau-Rompin area. It was reported that more logging licences were to be issued.<sup>12</sup> The Minister of Science, Technology and Environment could only appeal to the State Government to reconsider this decision.<sup>13</sup> Concerning this a newspaper editorial wrote:

There is something disturbing in the progression: whichever way it is viewed what predominates is Pahang's disregard for public opinion, more pointedly the Federal Government's views. It arguably raises the spectre of State Governments retreating into parochialism when the national purpose should have been served. Endau-Rompin has become very nearly a test case of Centre-State understanding that ought to characterize planning.... Are we to suppose that the controversy had introduced a combative element in the making of policy?<sup>14</sup>

The damage that this uncontrolled logging was doing to forest resources and, more importantly, to the Central Government's National Forest Policy could not be ignored. At the opening of the National Forestry Council Meeting in August 1977, Dr Mahathir Mohamad, then Deputy Prime Minister, warned the Menteri Besar and Chief Ministers that uncontrolled exploitation of forests, if continued, would deplete the nation's timber resources and con-



sequently affect the nation's economic growth.<sup>15</sup> This warning failed to convince the Pahang State Government and still more logging licences were to be issued for the Endau-Rompin area.<sup>16</sup> As part of the continuing pressure, so far ineffective, being applied on the Pahang State Government, Datuk Musa Hitam, then Minister of Primary Industries, imposed on 30 September 1977 a ban on the export of logs from Endau-Rompin.<sup>17</sup>

The continuing defiance of the Pahang State Government was debated again in Parliament on 24 October 1977.<sup>18</sup> An UMNO MP, Datuk Hj. Shafie Abdullah, asked whether the logging activities in Endau-Rompin were contrary to the policy and objective of the TMP. The Minister of Science, Technology and Environment conceded that they were. He admitted, however, that the TMP did not indicate which particular area could be logged nor did it provide details on the inclusion of Endau-Rompin as one of the areas to be declared a national park. It was, he continued, only during the planning of the TMP that a report proposed the declaration of Endau-Rompin as a national park. This report also indicated that logging was permissible only on the fringes of the area. The Pahang State Government, however, had allowed logging in the core area. This, the Minister insisted, was contrary to the report prepared by a committee which included representatives of the States of Pahang and Johore. On the question of applying financial sanctions on the State Government the Minister informed the Dewan Raayat that the Central Government could not withdraw financial allocations from Pahang because of the Endau-Rompin dispute. He stressed that the time had not come for it to use its power over this. Furthermore, the Pahang State Government had already informed the National Forestry Council that it would not issue any new logging licences for the Endau-Rompin area.

In an apparent reply to the Minister's statement in Parliament, the Menteri Besar of Pahang announced that logging in Endau-Rompin would continue as to do otherwise would be wasteful. He explained that controlled mining and logging were not expressly prohibited by the report prepared by the sub-committee responsible for studying the proposed park plan. Indeed, he was convinced that '[The] sub-committee, made up of representatives from the Pahang and Johore Governments, and the Forest and Game Departments, and chaired by an official from the Economic Planning Unit in the Prime Minister's Department agreed that consideration should be given towards exploitation of the area's

natural resources.<sup>19</sup> Thus, he believed that Pahang was acting well within its rights and, significantly, pointed out that it had already contributed 30 per cent of the total land reserves in the country. Pahang, the Mentri Besar emphasized, could no longer afford the luxury of reserving large tracts of land for only one specific use, such as a national park.<sup>20</sup>

During the dispute the Central Government was urged to go beyond persuasion by invoking either Article 83 or 94 of the Federal Constitution to compel State obedience to the Centre's forest conservation policy.<sup>21</sup> Such urgings fell on deaf ears. The feeling of disappointment among environmentalists was well expressed by the Selangor Graduate's Society statement on 6 March 1978 that 'despite public protest and petition, the Federal and State Governments had taken no positive action to stop logging in Endau-Rompin'.<sup>22</sup> Perhaps in deference to public and, most importantly, Central Government displeasure, the Pahang State Government gave a firm assurance on 20 March 1978 that logging would be stopped in Endau-Rompin after August 1978.<sup>23</sup> After the 1978 State election the new Mentri Besar of Pahang, Abdul Rahim Abu Bakar, reaffirmed this commitment. He stated: 'the previous State Government had given its word that logging in the area will stop at the end of last month [August]. I will see to it that it will stop.'<sup>24</sup>

### *The Endau-Rompin Case, State Politics, and Centre-State Relations*

The Endau-Rompin case represented a clash of interests and priorities between the Centre and State. The Centre's interest was, *inter alia*, in forest conservation. The State's interest was in generating as much revenue as possible from a resource-land-which is under its jurisdiction. Yet the Central Government was not without some constitutional powers in the field of forest conservation.<sup>25</sup> In the event, it did not invoke these powers.

The Central Government's interest in forest conservation had been signalled as early as 1971. The National Land Council's meeting of 20 December 1971 approved the establishment of a National Forestry Council.<sup>26</sup> Within this Council a National Forestry Policy was to be formulated by both Central and State Governments' representatives. The inclusion of Endau-Rompin as part of a National Park Plan was planned and agreed to by the Central and the Pahang and Johore State Governments. Pahang,

however, asserted that logging in this area was well within the terms of the agreement. The Central Government disagreed and bluntly stated that logging in the core area was contrary to the agreement. The Pahang Government's firm stand, short-lived as it turned out, on the issue was very much influenced by State politics. Apart from generating revenue for the State, vested interests within Pahang urged the continuation of logging in the area even if this was deemed to be contrary to Central Government policy. For in Pahang—as in other States which derive most of their revenue from timber royalties—timber and logging concessions have traditionally been the basis of political patronage.<sup>27</sup> It is through the States' control over land and forests that *Mentri Besar* and Chief Ministers, especially in timber-rich States, are able to wield considerable political clout and patronage in their States. When environmentalists first raised the issue of logging in Endau-Rompin as being against the Central Government's National Park Plan, the *Mentri Besar* of Pahang was caught between those holding logging concessions in the area and the Central Government which was against such logging. The Pahang State Government's challenge to the Central Government's policy had to be overcome successfully lest other UMNO-dominated State Governments were encouraged by such acts of defiance.

The Central Government leaders resorted to the use of the internal mechanism of UMNO to overcome the intransigence of the Pahang State Government under its *Mentri Besar*, *Datuk Seri Mohammad Jusoh*. His assertiveness in stating the State's case over Endau-Rompin had not endeared him to the Central leaders. They had gradually lost confidence in him. Not coincidentally, the Central Government under the Prime Ministership of *Tun Hussein Onn* had been hardening its attitude towards the nature and manner of land deals and timber concessions in which the *Mentri Besar* was seen as incapable of controlling.<sup>28</sup> The manner in which such concessions were distributed had also caused much infighting and dissatisfaction among State UMNO politicians.<sup>29</sup> It seemed to the Central Government that the *Mentri Besar's* prior loyalty to the Centre was suspect. The key question then was this: how could the prior allegiance of the *Mentri Besar* to the Centre be ensured? If the *Mentri Besar* owed allegiance first to the Centre then it is more likely that he would be sensitive to the Centre's policy preferences. A change of *Mentri Besar* and in the State UMNO leadership was seen as the way to achieve this aim: a

change so fundamental as to completely destroy the existing patronage system.

The Mentri Besar's links with the Centre had already been weakened following the death of Tun Abdul Razak, the former Prime Minister.<sup>30</sup> His political strength within the State had been similarly reduced as this had depended on his close association with Tun Abdul Razak. In this situation Datuk Seri Hamzah Abu Samah, Cabinet Minister and Pahang UMNO State Liaison Committee Chairman, made clear the Centre's wishes by stating in early 1978 that a new Mentri Besar was being sought.<sup>31</sup> The Sultan expressed surprise and disappointment at this. Declaring his support for the embattled Mentri Besar, he stated that 'as far as I am concerned the Mentri Besar Datuk Seri Mohammad bin Jusoh is doing well. He has guided the State through the slump of 1975 to the present sound economic position', further stating that 'I will do my utmost best to prevent the existence of friction among my people'.<sup>32</sup> In response to the Centre's desire but secure in the Sultan's support, the Mentri Besar declared his willingness to continue.<sup>33</sup> He, however, was eventually 'persuaded' by UMNO's Central leaders to retire after the end of his term of office. When this became public knowledge the focus of the political battle shifted to the choice of the new Mentri Besar.

The first phase of this battle was control of the party apparatus—the SLC and the Divisions—within the State in preparation for the next State election. Attention was accordingly focused on the elections that were due to be held for posts in UMNO Divisions in May 1978. There were, and still are, eight UMNO Divisions in Pahang. The Lipis, Jerantut, Kuantan, and Temerloh Divisions were headed by either Central Cabinet or Deputy Ministers, the Maran and Bentong Divisions by State Exco members, the Pekan Division by the Mentri Besar, and the Raub Division by someone who held neither a State nor Central post. At the Divisional elections the Cabinet or Deputy Ministers were elected unopposed to head the Lipis, Jerantut, Kuantan, and Temerloh Divisions. The State Exco Head of the Maran Division was voted out and replaced by an MP. The Heads of Bentong and Pekan Divisions were re-elected. The Head of the Raub Division was voted out and replaced by a State Assemblyman (see Table 9.2).

The competition for Divisional posts was especially keen in Pekan and Temerloh: in Pekan because the Mentri Besar was publicly known to have agreed to step down as Mentri Besar; and in

TABLE 9.2  
 UMNO Divisions in Pahang: Division Heads and Deputy Heads; Their Government and Party Posts,  
 and Their Central (Parliamentary) or State (State Legislative Assembly) Representative Posts, Before and After  
 the 1978 Party Election and General Election (Federal and State)

<i>Division</i>	<i>Post</i>	<i>Name</i>	<i>Government Post</i>	<i>Party Posts</i>	<i>MP or State Assemblyman</i>
<i>Before 1978</i>					
Lipis	1. Head	Tan Sri Mohd. Ghazali Shafie	Cabinet Minister	SEC' Member	MP Dewan Raayat
	2. Deputy	Senator Datuk Hj. Abd. Razak Hj. Hussein	-	-	MP Senate
Jerantut	1. Head	Datuk Shariff Ahmad	Cabinet Minister	SEC Member SLC Member	MP Dewan Raayat
	2. Deputy	Harun Jaafar	-	-	State Assemblyman
Kuantan	1. Head	Mohd. Ali Mohd. Shariff	Deputy Minister	SLC Member	MP Dewan Raayat
	2. Deputy	Hj. Ismail Siabit	-	-	State Assemblyman
Raub	1. Head	Hj. Yeop Sendiri Hj. Hussein	-	SLC Member	-
	2. Deputy	Abdullah Abd. Majid <sup>a</sup>	-	-	-
Maran	1. Head	Tok Muda Hj. Sulong Awang Hitam	State Exco Member	SLC Member	State Assemblyman
	2. Deputy	Datuk Abd. Aziz Hussein	-	-	-

TABLE 9.2 (continued)

Division	Post	Name	Government Post	Party Posts	MP or State Assemblyman
Bentong	1. Head	Abd. Malik Mohd.	State Exco Member	SLC Secretary	State Assemblyman
	2. Deputy	Jaafar Hj. Mohd. Nor	-	-	-
Pekan	1. Head	Datuk Seri Mohd. Jusoh	Mentri Besar	SLC Deputy Chairman	State Assemblyman
	2. Deputy	Datuk Hj. Ibrahim Arshad	-	SEC Member* SLC Member	-
Temerloh	1. Head	Datuk Seri Hj. Hamzah Datuk Hj. Abu Samah	Cabinet Minister	SLC Chairman SEC Member	MP Dewan Raayat
	2. Deputy	Anwar Hj. Mohd. Sch	-	SLC Member	State Assemblyman
<i>After 1978</i>					
Lipis	1. Head	Tan Sri Mohd. Ghazali Shafie	Cabinet Minister	SEC Member SLC Member	MP Dewan Raayat
	2. Deputy	Senator Datuk Hj. Abd. Razak Hj. Hussein	-	-	MP Senate
Jerantut	1. Head	Datuk Shariff Ahmad	Cabinet Minister	SEC Member SLC Member	MP Dewan Raayat
Kuantan	2. Deputy	Harun Jaafar	-	-	State Assemblyman
	1. Head	Mohd. Ali Mohd. Shariff	Deputy Minister	SLC Member	MP Dewan Raayat
	2. Deputy	Hj. Ismail Siabit	-	-	No longer State

Raub	1. Head	Tengku Mustapha Tengku Seti	-	SLC Member	Speaker, State Legislative Assembly
Maran	2. Deputy	Hj. Abd. Rahman Datuk Yeop Sendiri	-	-	-
	1. Head	Hishamuddin Hj. Yahya	-	SLC Member	MP Dewan Rakyat
Bentong	2. Deputy	Hj. Nasir Mat Piah	-	-	-
	1. Head	Abd. Malik Mohd.	State Exco Member (from mid-1980)	SLC Secretary	State Assemblyman
Pekan	2. Deputy	Jaafar Hj. Mohd. Nor	State Exco Member (till mid-1980)	-	-
	1. Head	Datuk Seri Mohd. Jusoh	No longer Mentri Besar	No longer SEC Member or SLC Deputy Chairman	No longer State Assemblyman
Temerloh	2. Deputy	Datuk Khalil Yaakob	-	-	-
	1. Head	Datuk Seri Hj. Hamzah Datuk Hj. Abu Samah	Cabinet Minister	SLC Chairman SEC Member	State Assemblyman MP Dewan Rakyat
	2. Deputy	Tok Muda Hj. Awang Ngah Tok Muda Hj. Ibrahim	-	SLC Member	State Assemblyman

Source: UMNO, *Penyata Tahunan* (Annual Report), 1976-8; and information from the Office of the Pahang State Legislative Assembly.

<sup>1</sup>Supreme Executive Council.

<sup>2</sup>State Liaison Committee.

<sup>3</sup>In detention.

<sup>4</sup>Appointed by UMNO President.

Temerloh because it was Datuk Seri Hamzah Abu Samah's political base and if he could be voted out as Head of Temerloh Division he would have less claim to retain the post of Pahang UMNO SLC Chairman—a post that was and remains strategically placed in the party and thus crucial in the process of selecting a *Mentri Besar*.

In Pekan, the Sultan's younger brother, Tengku Arif Bendahara, was encouraged to challenge the *Mentri Besar* for the post of Pekan Division Head.<sup>34</sup> However, Tengku Razaleigh, one of the UMNO Vice-Presidents and Finance Minister, advised Tengku Arif Bendahara not to participate in politics actively.<sup>35</sup> In agreeing to withdraw despite substantial support, Tengku Arif Bendahara had in fact accepted UMNO's Central leadership's advice. After the withdrawal of three other contenders, only the Deputy Head of the Pekan Division, Datuk Ibrahim Arshad, remained to challenge the *Mentri Besar*; the incumbent *Mentri Besar* won by 116 to 102 votes.

In Temerloh, Datuk Seri Hamzah also faced the possibility of keen competition. He believed that certain groups within Pahang UMNO were actively campaigning against him, hoping that if he were not re-elected as Division Head he would lose his post as Chairman of the Pahang UMNO SLC.<sup>36</sup> He was in no doubt that 'certain groups from Pekan and Temerloh... are trying to topple me in [*sic*] my post'.<sup>37</sup> Several State UMNO politicians had declared their opposition to Datuk Seri Hamzah.<sup>38</sup> They held him responsible, as Chairman of the Pahang SLC, for ignoring veteran Pahang UMNO members in the nomination of candidates for the 1974 State election. These politicians had been involved in UMNO since the struggle for Independence and they resented being ignored and replaced by those who, they alleged, had at one stage opposed UMNO. They argued that if it was not for this mistake Datuk Seri Hamzah could have taken the place of the late Tun Abdul Razak as a respected and honoured leader in Pahang. They succeeded in persuading Tan Sri Yahya Mohamad Seh, a former *Mentri Besar*, to challenge Datuk Seri Hamzah for the Temerloh Division Head's post.<sup>39</sup> At the last moment Tan Sri Yahya was persuaded to withdraw and Datuk Seri Hamzah was elected unopposed.<sup>40</sup>

The next phase of the competition was the nomination of candidates for the 1978 State election. In this the Divisions usually submit their list of candidates but the Centre (that is the UMNO President) nominates. The President of UMNO usually seeks the



advice of the SLC Chairman. Datuk Seri Hamzah was thus well placed to influence the nomination of candidates for the Pahang State election. Of the twenty-three UMNO Assemblymen, ten, including the *Mentri Besar*, were not renominated (see Table 9.3). They were, in the main, considered 'troublemakers'.<sup>41</sup> UMNO was allocated twenty-four seats in the 1978 election and of these eleven were new nominations. All the UMNO candidates were elected (see Table 9.4).

The competition for the *Mentri Besar*'s post began almost immediately after the elections. With the *Mentri Besar* not renominated, there appeared to be no acknowledged leader among the new State Assemblymen. The competition was directed at influencing the Central UMNO leaders and especially the President of UMNO who, according to established practice, appoints the *Mentri Besar*. Datuk Seri Hamzah's position as Pahang SLC Chairman was especially crucial in this competition because he provided the party link between the State and the Centre. Thus he was in a position to influence the outcome of the competition.

The Pahang Constitution provided that the Ruler, at his discretion, appoints the *Mentri Besar* from among those whom he 'considers commands the confidence of the Majority of the State Legislative Assembly members to head the Executive Council'.<sup>42</sup> The Sultan of Pahang thus claimed that only 'I can appoint the *Mentri Besar*'.<sup>43</sup> In exercising this power the Sultan said that he would naturally consult the Prime Minister and the Chairman of the Pahang UMNO SLC on the appointment of the *Mentri Besar*. It was, however, established practice that the Prime Minister as UMNO President effectively appoints the *Mentri Besar*. According to a former Prime Minister, Tunku Abdul Rahman, the Ruler was never consulted on the appointment of his *Mentri Besar*.<sup>44</sup> It was in the Centre's interest, especially in the case of Pahang, to ensure that the Sultan's discretion in this was minimal. The Centre wanted to ensure that the new *Mentri Besar* owed prior allegiance and loyalty to Kuala Lumpur rather than the Ruler of the State. This was indeed the intention of the Central Government under the Prime Ministership of Tun Hussein Onn.

A few days after the elections, Datuk Seri Hamzah announced that a new *Mentri Besar* of Pahang would soon be chosen. He indicated that the names of five State Assemblymen had been submitted to the Prime Minister, as UMNO President, and that the Prime Minister's decision on who should be appointed would be

TABLE 9.3  
 Pahang UMNO State Assemblymen, 1974-1978: Their Government Posts and Party Posts Before and After  
 the 1978 Party Elections and Nominations for the 1978 State Election

UMNO Division	State Electoral Constituency	Name	Party Posts		Government Post	Nomination for 1978 State Election
			Before 1978 Election	After 1978 Election		
Lipis	1. Jelai	Wan Abd. Rahman	Lipis Div.	Lost party post	State Exco Member	Not renominated
		Wan Ibrahim (1969)	Vice-Head			
	2. Bukit Bentong	Ramli Abd. Ghani (1974)	Lipis Div. Secretary	Lost Div. Secretary; elected Div. Committee Member	-	Not renominated
Jerantut	3. Benta	Zakaria Mohd.	Lipis Div.	Same	-	Not renominated
		Taha (1974)	Committee Member			Renomiated
	4. Tahan	Harun Jaafar (1974)	Jerantut Div. Deputy Head	Same	-	Renomiated
		Abd. Rahman Bilal Akil (1974)	Jerantut Div. Committee Member	Jerantut Div. Vice-Head	-	Renomiated
6. Jenderak	Dato' Mohd. Kawi (1955)	-	-	-	Not renominated	
	Mohd. Sallehudin	Jerantut Div. Committee Member	-	-	Renomiated	
8. Beserah	Omar (1974)	Kuantan Div. Deputy Head	Same	-	Not renominated	
	Hi. Ismail Siabit (1974)	Kuantan Div. Deputy Head	Same	-	Renomiated	
9. Sungai Lembing	Wan Abdullah	Kuantan Div. Vice-Head	Same	-	Not renominated	
	Wan Osman (1974)		Same	-	Renomiated	

Raub	10. Batu Talam	Dato Abd. Rahman Ismail (1974)	SLC Treasurer, Raub Div. Vice-Head	Lost all party posts	Deputy Menteri Besar	Not renominated
	11. Dong	Tengku Mustapha Tengku Seti (1969)	Raub Div. Committee Member	-	-	Renominated
Maran	12. Paya Besar	Abd. Rashid Abd. Rahman (1974)	Maran Div. Youth Leader; SLC Member	Same	-	Renominated
	13. Bandar Maran	Tok Muda Hj. Sulong Awang Hitam (1974)	Maran Div. Head; SLC Member	Lost Div. Head; elected Div. Committee Member	State Exco Member	Not renominated
	14. Jengka	Puan Hajjah Sariah Kamiso (1974)	Maran Div. Vice-Head	Lost Vice-Head; elected Div. Committee Member	-	Renominated
	15. Chenor	Hj. Mahmud Hj. Mat Taib (1974)	Maran Div. Committee Member; SLC Information Officer	-	-	Renominated
Bentong	16. Semantan	Abd. Malek Mohd. (1974)	Division Head; SLC Secretary	Same	State Exco Member	Renominated
Pekan	17. Kuala Pahang	Datuk Seri Mohd. Jusoh (1959)	Pekan Div. Head; SLC Deputy Chairman	Div. Head; lost SLC Deputy Chairman	Menteri Besar	Not renominated
	18. Chini	Mohd. Hj. Abdul Ghani (1974)	Pekan Div. Vice-Head	Div. Vice-Head; Div. Information Officer	-	Renominated
	19. Bandar Pekan	Samsiah Dato' Abd. Hamid (1974)	Pekan Div. Vice-Head; SLC Member	Same	-	Renominated
	20. Rompin	Abd. Latiff Kantan (1974)	Pekan Div. Secretary	Same	-	Renominated

TABLE 9.3 (continued)

UMNO Division	State Electoral Constituency	Name	Party Posts		Government Post	Nomination for 1978 State Election
			Before 1978 Election	After 1978 Election		
Temerloh	21. Mentakab	Anwar Hj. Mohd. Seh (1974)	Temerloh Div. Deputy Head; SLC Member	Lost all posts	-	Not renominated
	22. Bandar Temerloh	Tok Muda Hj. Awang Ngah Tok Muda Hj. Ibrahim (1955)	-	Temerloh Div. Deputy Head	Speaker, State Legislative Assembly	Renominated
	23. Bera	Mansor Silong (1974)	Temerloh Div. Vice-Head	Lost Vice-Head post; elected Div. Committee Member	-	Not renominated

Sources: As for Table 9.2.

Note: Year in brackets indicates when first elected.

TABLE 9.4  
 Pahang UMNO State Assemblymen after the 1978 State Election: Their Government Posts and Party Posts  
 Before and After the 1978 Party Elections

UMNO Division	State Electoral Constituency	Name	Party Posts		Government Posts
			Before 1978 Party Election	After 1978 Party Election	
Lipis	1. Jelai	Mohd. Hashim Idris (1978)	Lipis Div.	Lipis Div.	-
	2. Bukit Bentong	Abu Bakar Chu (1978)	Information Head Lipis Div.	Vice-Head Same	-
	3. Benta	Mohd. Zuki Hj. Kamaludin (1978)	Committee Member Lipis Div.	Same	State Exco Member
	4. Tahan	Harun Jaafar (1974)	Committee Member Jerantut Div.	Same	State Exco Member (1979-mid-1980)
	5. Tembeling	Abdul Rahman Bilal Akil (1974)	Deputy Head Jerantut Div.	Jerantut Div. Vice-Head	-
Jerantut	6. Jenderak	Hj. Abd. Hashim Mohd. Ali (1978)	Committee Member -	Jerantut Div. Jerantut Div.	-
	7. Kerdau	Mohd. Sallehudin Omar (1974)	Jerantut Div. Committee Member	Committee Member -	-
	8. Beserah	Abd. Rahim Abu Bakar (1978)	Committee Member Kuantan Div.	Same and SLC Dep. Chairman	Mentri Besar
Kuantan	9. Sungai Lembing	Wan Abdullah Wan Osman (1974)	Committee Member Kuantan Div. Vice-Head	Same Same	-

TABLE 9.4 (continued)

UMNO Division	State Electoral Constituency	Name	Party Posts		Government Posts
			Before 1978 Party Election	After 1978 Party Election	
Raub	10. Batu Talam	Hj. Abd. Razak Hitam (1978)	-	Raub Div. Committee Member	State Exco Member
	11. Dong	Tengku Mustapha Tengku Seti (1969)	Raub Div. Committee Member	-	Speaker, State Legislative Assembly
	12. Paya Besar	Abd. Rashid Abd. Rahman (1974)	Maran Div. Youth Leader; SLC Member	Same	State Exco Member
Maran	13. Bandar Maran	Hj. Nasir Mat Piah (1978)	Maran Div. Committee Member	Maran Div. Deputy Head	State Exco Member (from mid-1980)
	14. Jengka	Puan Hajjah Sariah Kamiso (1974)	Maran Div. Vice-Head	Lost Vice-Head; elected Div. Committee Member	-
	15. Chenor	Hj. Mahmud Hj. Mat Taib (1974)	Maran Div. Com- mittee Member; SLC Information Officer.	-	-
Bentong	16. Semantan	Abd. Malek Mohd. (1974)	Div. Head; SLC Secretary	Same	State Exco Member (from mid-1980)

Pekan	17. Kuala Pahang	Hashim Mohd. Zain (1978)	Pekan Div. Committee Member	Same	-
	18. Chini	Mohd. Hj. Abd. Ghani (1974)	Pekan Div. Vice-Head	Div. Vice-Head and Information Officer	-
	19. Bandar Pekan	Samsiah Dato' Abd. Hamid (1974)	Pekan Div. Vice- Head; SLC Member	Same	-
	20. Bukit Iban	Datuk Mohd. Khalil Yaakob (1978)	Pekan Div. Committee Member	Pekan Div. Deputy Head	-
	21. Rompin	Abd. Latiff Kantan (1974)	Pekan Div. Secretary	-	State Exco Member (mid-1979 to mid-1980)
Temerloh	22. Mentakab	Hj. Idris Hj. Long (1978)	Temerloh Div. Committee Member	Temerloh Div. Vice-Head	State Exco Member
	23. Bandar Temerloh	Tok Muda Hj. Awang Ngah Tok Muda Hj. Ibrahim (1955)	-	Temerloh Div. Deputy Head	-
	24. Bera	Jaafar Salleh (1978)	Temerloh Div. Secretary	Same	-

Sources: As for Table 9.2.

Note: Year in brackets indicates when first elected.

submitted to the Sultan.<sup>45</sup> In the meantime there were allegations that the Sultan was attempting to exert his influence on behalf of certain candidates.<sup>46</sup> After being informed of the Prime Minister's nominee—Abdul Rahim Abu Bakar—for the Mentri Besar's post, the Sultan took the opportunity to refute these allegations. He conceded that his role was purely a formal one and that 'Datuk Hussein Onn, the National Front Chairman, has his choice. I only give my blessings, and that I have given through Datuk Seri Hamzah Abu Samah (Pahang UMNO liaison committee chairman) whom I met this morning.'<sup>47</sup> After being officially installed as the Mentri Besar, Abdul Rahim Abu Bakar appealed for party unity and stated that 'the political game is over and the time has come for more hard work to fulfil the promises made to the electorate'.<sup>48</sup>

The new Mentri Besar was young and a relative newcomer to Pahang politics.<sup>49</sup> His political base in the State was narrow and he had been elected a Kuantan UMNO Division Executive Committee member only in 1976.<sup>50</sup> Clearly his political stature and position within the party in the State before his appointment were relatively minor. Even after his appointment he would still have to find his political 'feet'. Nevertheless, he was the one preferred by UMNO's Central leadership. As the Centre's appointee he was left in no doubt as to whom and where he owed prior loyalty and as to why he was appointed. Indeed, the new Mentri Besar had been instructed by the Central Government to watch over the allocation of timber and other land concessions.<sup>51</sup> As a political unknown with apparently no substantial party support at the State level, he was dependent—and increasingly so—on the Centre. This fitted well with the Centre's desire of ensuring the prior allegiance of the Mentri Besar to Kuala Lumpur.

Abdul Rahim Abu Bakar's appointment was not popular, especially among veteran State UMNO politicians.<sup>52</sup> They claimed that Datuk Seri Hamzah, as SLC Chairman, had neither consulted the SLC nor obtained the majority support of the State Assemblymen.<sup>53</sup> In response, Datuk Seri Hamzah explained and emphasized that the new Mentri Besar was chosen by UMNO's President, Tun Hussein Onn, and that he was involved only as an adviser. Furthermore, he claimed that no one had opposed the President's choice at a meeting of State Assemblymen and that there was no opposition from any of the Pahang politicians at the Centre.<sup>54</sup> Despite these disclaimers, Datuk Seri Hamzah, as SLC Chairman,



was widely believed to be intimately and crucially involved in the State's leadership stakes and through his close links with Kuala Lumpur, certain candidates for the posts of *Mentri Besar* and State Executive Councillors were presented, discussed, and preferred. They blamed him for foisting a newcomer on the State, someone who was not even tutored in the 'old ways' of politics or the established 'rules of the game'. They viewed the appointment of Abdul Rahim Abu Bakar as a threat to their vested interests. The previous relationship between the former *Mentri Besar* and State Executive Councillors to their respective clienteles was undermined. However, their resentment was not directed at Tun Hussein Onn, the UMNO President, although it was by implication. To criticize the UMNO President directly on the *Mentri Besar's* appointment was to go against an established convention. Conveniently, their resentment was directed at Datuk Seri Hamzah for giving the 'wrong' advice to the UMNO President.

Not surprisingly the new *Mentri Besar* had on taking office frozen all land and timber concessions and started a new policy regarding their allocation. This new policy, aimed at the optimization of benefits from the State's land resources, was based on granting land and timber concessions to public corporations rather than individuals. That this policy had the support of, if indeed it had not been formulated by, the Central Government was emphasized by the Minister of Land and Regional Development, Tan Sri Kadir Yusof. He declared that the Government would alienate large tracts of land only to public agencies and not to individuals.<sup>55</sup>

In early November 1978 the Sultan asked his Supreme Council or *Jemaah Pangkuan Negeri* to investigate the manner in which the *Mentri Besar* was appointed.<sup>56</sup> This investigation was related to Datuk Seri Hamzah's failure to submit to the Sultan the question of the appointment of the *Mentri Besar*. The Council met on 15 November 1978 under the chairmanship of Tengku Arif Bendahara and found that both Datuk Seri Hamzah and Datuk Ibrahim Mohamed<sup>57</sup> were responsible for dragging the Sultan into political controversy in Pahang.<sup>58</sup> The Council unanimously recommended that both men should be stripped of their titles and positions given by the Sultan. This, apart from indicating unhappiness over the appointment of the new *Mentri Besar*, was indeed 'tantamount to a call for a real snubbing of the Federal Government'.<sup>59</sup>

On 19 November 1978 the Sultan visited the Prime Minister to discuss the Pahang Supreme Council's recommendation.<sup>60</sup> Several

such meetings were held and a compromise was apparently agreed to. On 10 July 1979 the Prime Minister announced the resignation of Datuk Seri Hamzah as Pahang SLC Chairman. The Prime Minister took over this post despite the availability and willingness of two Cabinet Ministers from Pahang to serve.<sup>61</sup> The UMNO Secretary-General claimed that this was agreed to by both National and State UMNO leaders.<sup>62</sup> The course of action taken by the Prime Minister was a warning to Pahang politicians that the Central leadership was not to be trifled with.

However, efforts to oust the Mentri Besar or make his life unbearable continued unabated, perhaps even with renewed vigour.<sup>63</sup> Pahang UMNO dissidents were apparently unhappy about the Mentri Besar's reluctance to practise the 'politics of distribution'.<sup>64</sup> UMNO officials indicated that they were planning to move a motion of no confidence against the Mentri Besar at the sittings of the State Legislative Assembly on 3 and 4 September 1979.<sup>65</sup> The Mentri Besar had to turn to the Centre for protection. He submitted a full report on the current political situation in Pahang to UMNO headquarters and also consulted the Prime Minister regarding the matter. The Prime Minister was unhappy, some would say frustrated and annoyed, over the reported moves to oust the Mentri Besar. Not surprisingly, it was announced that the Prime Minister would soon visit Pahang to chair a meeting of the Pahang UMNO SLC so as to discuss the reported moves against the Mentri Besar.<sup>66</sup> The Prime Minister's visit was also intended as a show of support for the Mentri Besar's leadership whose position was felt to be increasingly threatened by a group of UMNO dissidents. A compromise was apparently reached during this meeting.<sup>67</sup> However, this compromise failed to overcome the underlying dissatisfaction with the Mentri Besar.<sup>68</sup> The Mentri Besar, mirroring the divisions among UMNO members in Pahang, appealed for a return to the party tradition of moderation, arguing that 'Moderation is always the best policy. It has worked well with UMNO and it has worked well for the country.'<sup>69</sup> But his appeal fell on deaf ears. There was, however, a limit beyond which factionalism and divisions within UMNO in Pahang would not be tolerated by Central party leaders. Tun Hussein Onn, commenting on the problems besetting the UMNO in Pahang, stated that

... there is no political crisis in the State. Whatever is happening there today will be solved eventually. But if it is decided that there is a crisis, then the Council [Supreme Executive Council of UMNO] will intervene just

like what we did in Malacca. . . . My position here is only temporary. I will hand back the post [of Chairman of the SLC] the moment it is decided that the problems in the State are resolved.<sup>70</sup>

The Mentri Besar's position in Pahang was weak in terms of his own party base of support although he was appointed as the Pahang SLC's Deputy Chairman after his appointment as Mentri Besar. Despite his clear identification with and over-dependence on the Centre, perhaps because of this, his position as Mentri Besar was still threatened. The prospect of continuing threats or opposition to his position compelled him to seek ways of strengthening his position within the party organization. The opportunity came with the party elections of June 1980 when the Mentri Besar decided to contest the Kuantan Division Head's post then held by Ali Shariff, a Deputy Minister.

It was equally important for Ali Shariff to retain this post if he wished to have a chance of being renominated for the next General Election and continue as Deputy Minister. The Prime Minister made an official visit to Pahang, apparently as a show of support for the Mentri Besar, in the midst of the campaigning for the party post. UMNO sources were convinced that this had strengthened the Mentri Besar's hand. Despite this the Mentri Besar withdrew, apparently because he wanted to preserve party unity, and agreed instead to stand for the Deputy Head's post. Party sources explained: 'The Mentri Besar feels there is no need to be in a hurry for him to get to the top even though he is still looking out for a good political base. . . . He is not over ambitious and for the time being is quite satisfied with the job as deputy head.'<sup>71</sup> They believed that in the next Divisional elections the Mentri Besar was bound to move up.<sup>72</sup> Both Ali Shariff and the Mentri Besar were respectively returned unopposed as Head and Deputy Head of Kuantan UMNO Division. The Mentri Besar was thus left without having control of a Divisional base, the main UMNO organizational unit in the State.

The Mentri Besar's position in the State was clearly weak and vulnerable. He was apparently incapable of winning the Sultan's complete confidence. The 'old guards' of the Pahang UMNO resented his rapid rise and viewed him as a threat to their vested interests in 'old style politics'. Datuk Seri Hamzah, popularly regarded and resented as the Mentri Besar-maker and one of the Mentri Besar's supporters at the Centre, had by mid-1980 lost both the Chairmanship of the Pahang UMNO SLC and his Cabinet

post. The resignation of Tun Hussein Onn as Prime Minister in June 1981 deprived the Mentri Besar of his strongest political patron. Perhaps not surprisingly, in early November 1981 the Mentri Besar tendered his resignation.<sup>73</sup>

### *Discussion and Conclusion*

The Endau-Rompin case represented a clash of priorities and interests between the UMNO-dominated Centre and State. Its significance goes beyond the mere question of logging in the Endau-Rompin area and lies in the question of the proper utilization of land and its associated resources in which both the Central and State Governments have legitimate, sometimes mutually exclusive, interests. Land is a State subject and, for a long time, had been the main source of political patronage at the State level. In Pahang, this resulted in the development and perpetuation of a web of vested interests. It was a situation that the Central Government had been increasingly anxious to control. Despite the weight of financial, and some would argue constitutional, powers with the Centre, the Central leadership resorted to the use of the internal mechanisms and processes of the party to bring about the desired changes at the State level. This resulted in a continuous tussle between the Central UMNO leaders and UMNO groups in the State who had vested interests at stake. This is not surprising because the party, to quote Sartori, 'is an aggregate of individuals forming constellations of rival groups'.<sup>74</sup> Consequently, the informal party processes were 'riddled by disagreement, rivalry, manoeuvrings and battlings'<sup>75</sup> over the vested interests at stake. These then shaped UMNO politics, and consequently Centre-State relations, involving essentially Central UMNO leaders and State UMNO politicians, although the Sultan was viewed as having a keen interest.

Central UMNO leaders are for several reasons in a position of strength in their competition for power and influence with State UMNO politicians. First, the party machinery is highly centralized and most of the substantive powers, especially over the nomination of election candidates, are located at the Centre. The UMNO President, who is also the Prime Minister, is thus equipped with substantial powers within the party. These powers place him and his SEC in a position to determine and organize party affairs and the pattern of élite recruitment within the State.

Secondly, the SEC is the pivotal body within UMNO. As such, and because of the absence of a full-fledged State party body, it organizes the party within the State. The SLC is responsible to and under the direct control of the Centre. In the case of Pahang during the period examined it was led first by a Cabinet Minister and then by the Prime Minister. The UMNO Divisions are directly linked to the Centre and, in the case of Pahang, they were controlled in the main by Central Cabinet or Deputy Ministers or MPs. The absence of a full-fledged State party organization means that the Mentri Besar or any other State UMNO politician can only hope to capture control of one Division. Since there are several Divisions in Pahang, control of one Division is not sufficient to sustain one's claim to leadership status. The Mentri Besar and UMNO State Assemblymen are thus dependent not on a State party machine but on a Centrally-controlled party machine to keep them in office. The manner of the dismissal and appointment of the Mentri Besar and the nomination of UMNO election candidates in Pahang bears this out. This dependence, enhanced by UMNO's dominance both nationally and in most States, is especially so in Pahang. UMNO's dominance ensures at least grudging loyalty to the party because there just is no alternative route for a successful political career.<sup>76</sup>

Thirdly, the absence of a full-fledged State party organization means that there is no State-wide body which the Mentri Besar could readily capture and control. This makes it difficult for him, who may control only one Division, to mobilize State-wide support for his position, or against Central party intervention in party affairs in the State, or for State 'interests'. This was true of Pahang and probably also of other States. The difficulty is compounded by the organizational fragmentation of UMNO in the State into Divisions which are linked with one another through a Centrally-controlled SLC. This party structure does not encourage cohesion or unity of purpose, which could for example be expressed in defence of State 'interests', among the Divisions in the State. A cohesive and closely-knit State party organization may act as an obstacle to centralized decision-making but its absence encourages, indeed requires, such centralized decision-making.

In Pahang, such cohesion or unity of purpose as existed before factionalism and divisions became rampant was due primarily to the tight grip that Tun Abdul Razak, as the recognized and unchallenged leader of Pahang, was able to impose on UMNO in Pahang. Not coincidentally, his death in early 1976 loosened this tight grip

and resulted in the competition for Tun Abdul Razak's position as the recognized and unchallenged political leader of Pahang. Tun Abdul Razak, perhaps attempting to groom a successor, appointed Datuk Seri Hamzah as Chairman of Pahang UMNO SLC in 1972.<sup>77</sup> Datuk Seri Hamzah's political roots were neither deep nor wide and his position depended on Tun Abdul Razak. With the latter's death he was somewhat exposed. Not having the stature and prestige of Tun Abdul Razak, he could not intervene in State politics with impunity even if such intervention was carried out in the name of the Central party leadership.

Fourthly, traditional élites and the traditional pattern of support play a vital role in the development of UMNO as a national party. State traditional élites have been in the forefront of, some would say vital to, the development of UMNO.<sup>78</sup> Through them UMNO was able to mobilize State supporters. Their participation in UMNO was aimed, most importantly, at establishing themselves in the Centre. In other words, they harnessed the local and State-based tradition of support so as to compete for power at the Centre. It is in this sense that most National UMNO leaders are State-based. This further centralized the party machine. The consequence of this is to deny State UMNO politicians the use of such traditional pattern of support as an independent source of support and consequently make them dependent on a traditional pattern of support which is controlled by a party leader at the Centre. This is especially so in Pahang which has its own distinct local tradition of social and political organization based on four hereditary chiefs, apart from the institution of the Sultanate.<sup>79</sup> Tun Abdul Razak, as one of the chiefs, was the embodiment of the traditional élite in Pahang and his unrivalled power was rooted in such distinct local tradition. No other Pahang politician had achieved such unrivalled stature in Pahang. With his death, this network of tight traditional support became the focus of faction and group competition and was consequently fragmented. This explains both rampant factionalism in Pahang and the inability of any Pahang politician to successfully bind again the traditional support structure. Thus divisions between the State UMNO politicians in Pahang not only presented an opportunity for but also required Central intervention in party affairs in Pahang.

Constitutionally, the Sultan is the source and symbol of authority in the State and must act on the advice of the *Mentri Besar* and the State Exco. The institution of the Sultanate is, however, a

source of independent power and immense prestige within the State. Its power had been strengthened by the 1971 Constitutional Amendments which placed the institution of the Sultan above and beyond public debate. Nevertheless, the Pahang case indicates that the Sultan's role was marginal although the new Mentri Besar's (the Centre's nominee and agent) failure to win the Sultan's complete confidence might have influenced his decision to resign.

The Centre's imposition of a Mentri Besar in Pahang was facilitated by a highly centralized party structure. But it was nevertheless resented and opposed by UMNO State politicians despite their dependence on a Centrally-controlled party machine. Ultimately, however, the Mentri Besar had no choice but to resign. The chief significance of the rise and fall of the Mentri Besar is this: UMNO's Central leaders cannot construct a political base for its appointee unless that man already has a secure footing in the State. The State still matters in an apparently tightly-knit Federation albeit possessing a powerful Centre.

1. G. Sartori, *Parties and Party Systems: A Framework for Analysis*, Vol. 1, London, Cambridge University Press, 1976, p. 95.

2. Federation of Malaysia, *Third Malaysia Plan, 1976-1980*, Kuala Lumpur, Government Press, 1976, p. 225, Table 11-3.

3. *The Star*, 28 July 1977.

4. *New Straits Times*, 7 May 1977.

5. *New Straits Times*, 12 May 1977.

6. *Ibid.*, 20 June 1977.

7. Complying with the Central Government's National Forest Policy would have meant a reduction in the percentage contribution of forest revenue to total State revenue. The State Government expected to earn about \$7 million from logging in the Endau-Rompin area. See *New Straits Times*, 5 September 1977. This expected revenue was later estimated at around \$3 million. See *New Straits Times*, 15 August 1978.

8. Ninth Schedule, List 11-State List, No. 2 and 3, of the Federal Constitution.

9. *New Straits Times*, 22 July 1977.

10. *New Straits Times*, 20 July 1977.

11. *New Straits Times*, 10 August 1977.

12. *New Straits Times*, 25 August 1977.

13. *New Straits Times*, 26 August 1977.

14. *New Straits Times*, 29 August 1977.

15. *New Straits Times*, 30 August 1977.

16. *New Straits Times*, 5 September 1977.

17. *New Straits Times*, 30 September 1977.

18. Federation of Malaysia, *Malaysian Parliamentary Debates Dewan Raayat Kuala Lumpur*, Government Press, Vol. III, No. 26, 24 October 1977, cols. 2891-6.
19. *New Straits Times*, 4 November 1977.
20. *New Straits Times*, 8 November 1977.
21. See *The Star*, 29 July 1977, and *New Straits Times*, 23 September 1977. Article 83 concerns the acquisition of land for Federal purposes and Article 94 concerns Federal powers with respect to State subjects.
22. *The Star*, 6 March 1978.
23. *New Straits Times*, 21 March 1978. August 1978 was the expiry date of the last licence issued.
24. *New Straits Times*, 2 September 1978.
25. Articles 91(5) and 92(3) of the Federal Constitution.
26. National Land Council Paper No. 49, 1971. See Federation of Malaysia, *Resolusi-Resolusi Majlis Tanah Negara, 1958-1978* (National Land Council Resolutions, 1958-1978), Kuala Lumpur, Government Press, 1980, p. 125.
27. See *Far Eastern Economic Review*, 30 November 1979, p. 54, and *Business Times*, 12 November 1977.
28. *The Guardian* (Britain), 30 December 1978.
29. An example of such dissatisfaction was expressed during a debate in the Pahang State Legislative Assembly in December 1976, significantly just before the public scrutiny of logging in Endau-Rompin. In this debate, an UMNO Assemblyman, Muhammad bin Hj. Abdul Ghani, alleged that there was favouritism in the issuing of logging concessions in the State. He remarked that 'It is difficult for the ordinary man to get a concession as this seems to be reserved only for the favoured ones'. See *New Straits Times*, 16 December 1976.
30. Tun Abdul Razak was the unchallenged political overlord in Pahang. Datuk Seri Mohammad Jusoh was a relative of Tun Abdul Razak. He was chosen by Tun Abdul Razak as Menteri Besar of Pahang in 1974.
31. *Watan*, 2 January 1978 and 12 January 1978.
32. *New Straits Times*, 19 January 1978.
33. *Watan*, 24 January 1978.
34. Tengku Arif Bendahara was then also the President of the Pan-Malayan Bumiputra Timber Association. He was supported by about 10 Pekan Divisional Committee members, several UMNO branches and a State Exco member, Wan Abdul Rahman Wan Ibrahim. See *Watan*, 18 January 1978 and 9 September 1978.
35. *Watan*, 16 April 1978. Tengku Arif Bendahara's supporters resented the interference of Tengku Razaleigh, a Kelantanese, in Pahang politics. See *Watan*, 17 April 1978 and 19 April 1978. Even Ghazali Shafie, a Cabinet Minister and Head of Lipis UMNO Division, considered this an affront. See *Watan*, 1 May 1978, 27 May 1978, and 30 May 1978.
36. *Watan*, 14 March 1978.
37. *New Straits Times*, 14 March 1978. He was also MP for Temerloh. While there was no doubt as to his support from UMNO's Central Leadership, his failure to retain the Division Head's post would seriously undermine his claim of leadership not only of Temerloh but also of Pahang itself.
38. *Watan*, 15 March 1978.
39. *Watan*, 20 March and 7 April 1978. Tan Sri Yahya was made to resign as Menteri Besar and as Chairman of Pahang SLC in 1972 by Tun Abdul Razak. A new



Mentri Besar, Datuk Hj. Abdul Aziz Hj. Ahmad, was appointed. Tun Abdul Razak also appointed Datuk Seri Hamzah as Chairman of the Pahang SLC in 1972. With Tun Abdul Razak's death in 1976 Datuk Seri Hamzah lost his political patron who was the Prime Minister, UMNO President, and the acknowledged political master of Pahang.

40. *Watan*, 15 May 1978.

41. All the three sitting State Assemblymen from the Lipis Division—representing Jelai, Bukit Bentong and Benta—were not renominated. Of the three, the Jelai Assemblyman, State Exco member Wan Abdul Rahman Wan Ibrahim, had publicly supported Tengku Arif Bendahara against the Mentri Besar. See *Watan*, 9 September 1978. The Division was headed by Cabinet Minister, Tan Sri Ghazali Shafie. In the party elections before the 1978 election, Wan Abdul Rahman lost his party post of Vice-Head of Lipis Division, the Assemblyman for Bukit Bentong, Ramli Abdul Ghani, lost his party post of Division Secretary and was elected only as a Division Committee member, and the Assemblyman for Benta was re-elected as a Division Committee member. Wan Abdul Rahman stood as an Independent in the 1978 State election and was subsequently expelled from UMNO by the SEC on the advice of Datuk Seri Hamzah as SLC Chairman. See *New Straits Times*, 6 May 1979. Two sitting Assemblymen from the Temerloh Division—Anwar Mohamad Seh and Mansor Silong—were not renominated. These two were prominent in the challenge against Datuk Seri Hamzah in the Temerloh Divisional elections. In the party elections, Anwar Mohamad Seh (a brother of former Mentri Besar Yahya Mohamad Seh) lost his party post of Deputy Head of Temerloh Division to the Speaker of the Assembly, Tok Muda Hj. Awang Ngah, and Mansor Silong lost the Vice-Head of Division post to Idris Long (the political secretary to Datuk Seri Hamzah) but was elected as a Division Committee member. Idris Long was nominated for the Mentakab State seat. See *Watan*, 8 May 1978 and 15 May 1978. One sitting Assemblyman from the Jerantut Division—Dato Mohamad Khairuddin Mohamad Kawi representing Jenderak—was not renominated. He had already lost his party post of Deputy Head of the Division in 1976 and by 1978 did not hold any party post. The Assemblyman from Kuantan Division, Ismail Siabit representing Beserah, was not renominated despite being re-elected as Deputy Head of the Division. Abdul Rahim Abu Bakar, eventually to become the Mentri Besar, was nominated to replace Ismail Siabit. The Assemblyman from Raub Division, Datuk Abdul Rahman Ismail representing Batu Talam, was not renominated. As the Deputy Mentri Besar, he was considered to be too closely linked with Datuk Seri Mohammad Jusoh's administration. He was also visibly in poor health and in the party elections had lost all his party posts. The State Assemblyman for Bandar Maran in Maran Division, Tok Muda Hj. Sulong Awang, was not re-elected as Division Head and elected only as a Division Committee member. He was not renominated. The Mentri Besar, Assemblyman for Kuala Pahang in Pekan Division, despite being re-elected as Division Head, was not renominated. He just had to go.

42. Article 4, Section 2(a) of the Pahang State Constitution. This is also provided by the Eighth Schedule, Part 1, Sec. 2(a) of the Federal Constitution.

43. *New Straits Times*, 19 July 1978.

44. *The Guardian* (Britain), 30 December 1978.

45. The five included Tok Muda Hj. Awang Ngah Tok Muda Hj. Ibrahim (former Speaker of the State Legislative Assembly and Assemblyman for Bandar Temer-

loh), Abdul Malek Mohammad (former State Exco member and Assemblyman for Semantan), Abdul Razak Hitam (newcomer and Assemblyman for Batu Talam), Abdul Rahim Abu Bakar (newcomer and Assemblyman for Berserah), and Mohamad Khalil Yaakob (newcomer and Assemblyman for Bukit Iban). See *Watan*, 13 July 1978.

46. *New Straits Times*, 14 July 1978.

47. *Ibid.*

48. *New Straits Times*, 20 July 1978.

49. Before this he was a Central officer in the Malaysian Administrative and Diplomatic Service. He had been seconded to serve as the General Manager of the Pahang State Economic Development Corporation and was persuaded to resign to contest for the seat of Berserah in the 1978 State election.

50. See UMNO, *Penyata Tahunan, 1976-1977*, p. 291, and *Watan*, 2 August 1978.

51. *The Guardian* (Britain), 30 December 1978.

52. *Watan*, 14 July 1978, 15 July 1978, and 18 July 1978.

53. *Watan*, 14 July 1978, 16 July 1978, and 20 July 1978.

54. *Watan*, 24 November 1978 and 26 November 1978, and *Mingguan Malaysia*, 1 June 1980.

55. *Asia Research Bulletin*, Vol. viii, No. 9, 28 February 1979, p. 537.

56. *Watan*, 7 November 1978 and 8 November 1978.

57. A prominent Pahang businessman.

58. *Watan*, 16 November 1978.

59. *The Guardian* (Britain), 30 December 1978.

60. *Watan*, 20 November 1978.

61. *New Straits Times*, 11 July 1979.

62. *New Straits Times*, 21 July 1979.

63. A Pahang Division registered its anger at the Centre's imposition of an unknown Mentri Besar during the UMNO General Assembly of 8 July 1979. Despite Central leaders' opposition, this Division's proposal to amend the UMNO's Constitution—reducing the Supreme Executive Council's and hence the Central leaders' powers over the nomination of election candidates—was adopted by a massive 409 votes to 111. See *New Straits Times*, 10 July 1979. Certain groups in Pahang had opposed the Centre's use of its nomination powers to bring in a new set of young politicians in Pahang.

64. *New Straits Times*, 19 August 1978.

65. *New Straits Times*, 15 August 1979. The UMNO Secretary-General confirmed that there was a move to unseat the Mentri Besar but expressed confidence that it would not succeed. See *New Straits Times*, 19 August 1978.

66. *New Straits Times*, 15 August 1979 and 20 August 1979.

67. The UMNO dissidents did not table the motion of no-confidence against the Mentri Besar as originally planned.

68. See *The Star*, 31 May 1980.

69. *New Straits Times*, 11 February 1980.

70. *New Straits Times*, 26 May 1980. Factional disputes within UMNO in Malacca provided the opportunity for national party leaders in the Supreme Executive Council to intervene and impose a solution. *New Straits Times*, 17 August 1977, 12 September 1977, and 27 September 1977.

71. Quoted in *The Star*, 2 June 1980. The Mentri Besar withdrew despite having

secured over 90 per cent of the nominations for the Division Head's post. There was virtually no change in the other top UMNO Divisional posts.

72. Perhaps in a move to pave the way for the Mentri Besar in the next Divisional election, the Prime Minister in a Cabinet reshuffle in September 1980 did not reappoint Ali Shariff as Deputy Minister. Datuk Seri Hamzah also was not reappointed as Cabinet Minister, ostensibly due to ill-health but probably because of disagreement with the Yang Di-Pertuan Agong (the Supreme Monarch), the post of which was then held by the Sultan of Pahang. See *Report on World Affairs*, 1 July to 30 September 1980, p. 36.

73. In the April 1982 General Election Abdul Rahim Abu Bakar was nominated to stand in the Federal constituency of Kuantan, a seat formerly held by Ali Shariff. He was elected an MP in this election.

74. Sartori, *op. cit.*, p. 72.

75. *Ibid.*, p. 48.

76. A different situation prevailed in Kelantan before 1978.

77. Datuk Seri Hamzah replaced Tan Sri Yahya Mohamad Seh, then the Mentri Besar, as SLC Chairman. Tan Sri Yahya was also forced to resign as Mentri Besar in 1972. He was then Head of the Temerloh Division and Datuk Seri Hamzah was Head of Raub Division. In the 1972 party elections, with Tun Abdul Razak's approval, Datuk Seri Hamzah stood for the Temerloh Division Head's post and won. See UMNO, *Penyata Tahunan, 1972/73*. Thus the demise of Tan Sri Yahya as Mentri Besar and SLC Chairman was engineered by Tun Abdul Razak and Datuk Seri Hamzah was the beneficiary of his demise. Tun Abdul Razak also appointed Datuk Seri Hamzah, together with Tan Sri Ghazali Shafie and Shariff Ahmad, as Cabinet Ministers. Tun Abdul Razak was thus instrumental in Datuk Seri Hamzah's rise to political prominence and power both at the Centre and in Pahang.

78. See G. P. Means, *Malaysian Politics*, 2nd ed., London, Hodder & Stoughton, 1976, pp. 194-5, and D. E. Moore, 'The United Malays National Organisation and the 1959 Malayan Elections', Ph.D. dissertation, University of California, 1960, p. 63.

79. Moore, *op. cit.*, pp. 81-2.

## Kelantan: The Exception to the Rule and Centre-State Relations

PAS-CONTROLLED Kelantan provided the case where different political parties controlled the two levels of Government in a Federation. It was an exception to the rule of UMNO dominance in the States and Centre of Peninsular Malaysia. The establishment of PAS control in Kelantan in the 1959 State election marked the beginning of the exception. Only after the formation of the BN coalition Governments at the Centre and State levels was PAS finally tamed; and Kelantan was brought within the dominant pattern after PAS lost the 1978 State election to UMNO. This exception emphasized the political distance between PAS and UMNO, and Centre-State relations became inextricably linked to UMNO-PAS competition at both Centre and State levels. Thus UMNO-PAS rivalry and competition became relevant to federalism.

### *Background*

Kelantan has a rich history and cultural tradition which give it more in common with three other members of the former UMS—Trengganu, Kedah, and Perlis—than with the other States of the Peninsula. Like Trengganu, Kedah and Perlis, Kelantan is overwhelmingly Malay: 92.5 per cent of the population is Malay, in fact. The Kelantanese Malays, in their dialect and clannishness, exhibit their distinctiveness from the Malays of other States.<sup>1</sup> Like the three other States mentioned, Kelantan came under British protection only in 1909. Thus it was not subjected to the pattern of political, economic and social development experienced by the Federated Malay States, the Straits Settlements, and Johore. Kelantan viewed with distaste and feared that British protection would foreshadow similar developments for itself.<sup>2</sup> Anxious to protect the 'Malayness' of the State, it took several measures to prevent the feared penetration by the British, non-Malays, and

other Malays—in short, by any outsiders. These measures included the bureaucratization of Islam through the establishment of the Majlis Ugama (State Religious Council) as one of the foundations of Kelantan Malay society and emphasis on the principle of the inviolability of its land through a Malay Reservations Act in 1930.<sup>3</sup>

Kelantan's economy has always been rural, peasant, and agriculturally based. It remains, compared to other States, economically the most underdeveloped (in terms of per capita State Gross Domestic Product) and financially very weak. It is possible to regard Kelantan, for historical, economic, political, social and cultural reasons, as a hinterland of Peninsular Malaysia.

The internal differences and divisions in Kelantan society considerably influenced local political dynamics in the colonial period and were continually expressed in a struggle for power between, essentially, two sets of élites—the traditional (the established nobility and aristocracy) and the non-traditional (Malay school teachers, religious teachers, mosque elders and other moulders of opinion).<sup>4</sup> The traditional élite used the Majlis Ugama to protect its power and in this way was able to regulate religious and political disputes, especially in the 1930s, to its satisfaction. In these disputes the non-traditional élite, through the Majlis Ugama's lower functionaries, enjoyed the primary loyalty of the peasantry. The introduction of elections in 1955 marked a new phase in Kelantan politics.

### *The 1955-1959 Period*

From 1955 electoral and party politics were superimposed on the divisions arising from group and élite conflict. A political party was now the vehicle, through electoral politics, for the control of Kelantan. Parti Negara (PN), in 1955, was the vehicle for the traditional élite, PAS for the non-traditional élite, with the Kelantan UMNO at that time controlled by 'a politically inexperienced group of Malay-educated leaders, sons of petty traders and lesser wage earning functionaries in the state's administrative apparatus'.<sup>5</sup> Two elements in this 'new' politics are discernible. First, the competing élites' claims of support from the peasantry could now be periodically and electorally tested and such support became increasingly important to the outcome of UMNO-PAS competition in the State. Second, because these parties were (and are) organizationally linked to National parties, politics at the State

level became intertwined with politics at National level.

In the first Federal election in July 1955 UMNO won all five Federal Legislative Council seats in Kelantan. In the first election in September 1955 for the partially nominated State Council<sup>6</sup> UMNO won all sixteen elected seats. The PN defeat compelled the members of the traditional élite to find another party through which to retain their control of Kelantan. They turned to UMNO. The PAS defeat was due to the personalities of the PAS leaders who collectively lacked a clear ideology and programme and an organizational apparatus capable of reaching the majority of voters in the countryside. PAS therefore responded to its defeat by mobilizing the Kelantanese in the countryside through an Islamic idiom, strengthening its organization, and defining its ideology and programme.<sup>7</sup>

UMNO, in spite of its electoral success, did not have a majority in the State Council and was powerless. Its effectiveness and credibility became increasingly suspect and were further weakened by its members' continuous entanglement in bureaucratic politics and corruption. Most damaging, perhaps, was the intensification of rivalry among the Kelantan UMNO leaders as the 1959 Parliamentary and State elections, the first after Independence, neared: several valuable prizes were at stake for the first time, including the posts of *Mentri Besar*, Executive Councillors, and all the seats in the State Legislative Assembly (the reconstituted State Council). There was therefore jockeying for position and control of Kelantan UMNO in anticipation of the spoils of office. Preoccupied with internal rivalries but confident of victory as representatives of the party of Independence, the Kelantan UMNO leaders increasingly lost contact with their constituents in the countryside and hence also lost their support. This situation provided the traditional élite (made up of ex-PN members) with opportunities to colonize the State UMNO.<sup>8</sup> Consequently, UMNO became identified with the traditional élite.

Meanwhile PAS's efforts at political mobilization were facilitated by the convergence of the anxieties of peasants and leaders of rural society—headmen, *imam*, religious teachers, and pious men of the villages. The peasants' anxieties centred on UMNO's neglect of land matters. The traditional leaders feared being supplanted by UMNO Assemblymen, party functionaries, and bureaucrats. PAS's appeal was based on ethnic and religious, rather than class, themes which emphasized the threat to the

Malays in general and the Kelantanese in particular posed by UMNO's inter-communal strategy.<sup>9</sup>

Several factors thus conditioned the political climate before the 1959 election. UMNO, weakened and divided by factionalism, increasingly identified as the party of the traditional élite, viewed as increasingly corrupt, was considered ineffective by the peasants and the village leaders for protecting their interests. They therefore turned to PAS. In the 1959 election, PAS won 9 out of the 10 Parliamentary seats in Kelantan (UMNO winning 1) and 28 out of the 30 seats in the SLA (UMNO and the MCA winning 1 each).

### *The 1959-1969 Period*

PAS-UMNO competition after the 1959 State election shaped the relations between the UMNO-controlled Centre and PAS-controlled Kelantan. In this competition, UMNO leaders at the Centre used their 'good offices' to support the Kelantan UMNO. Apart from the differing positions that the two parties held on the issue of communal integration, there were issues concerning land, money, and development around which party rivalry focused. These interrelated issues affected both the Centre's and State's interests.

As the governing party in Kelantan PAS controlled the distribution of political patronage and the spoils of office. Land (a State matter) was judiciously distributed to maintain PAS's political support and this engendered corruption and nepotism among PAS leaders and members, which in turn caused much soul-searching and, ultimately, internal divisions within PAS.<sup>10</sup>

The State Government's power over land, however; was weakened considerably by its limited financial resources. It could not afford to undertake large-scale land development on its own. It was thus open to the oft-repeated UMNO criticism that it was an ineffective State Government and was also subject to financial pressure from the Centre. Central Government funding and participation were (and remain) necessary for large-scale land development in Kelantan. Through this UMNO hoped to demonstrate its effectiveness and thus improve its chances in the struggle for political power. Equally political calculations influenced PAS's refusal to co-operate with the Central Government in development projects in Kelantan.

PAS and the Kelantan electorate were constantly reminded of

development achieved in UMNO-controlled States and of the 'penalty clause' or 'opportunity costs' for voting PAS.<sup>11</sup> The Central Government emphasized two messages: first, that only the Central Government was rich enough to finance large-scale development projects in the State and, secondly, that Central Government money and participation in development projects in the State would be assured only if the Alliance controlled the State Government. In other words, vote for PAS and remain economically underdeveloped or vote for the Alliance and be rewarded by the inclusion of Kelantan in the mainstream of Centrally-directed and funded national development.

In the PAS-UMNO competition land and its development, as State issues, were unmistakably emphasized.<sup>12</sup> Both parties justified their respective cases to the Kelantanese electorate by arguing that land and its development should benefit Kelantanese—for example, the controversy over the Kelantan Government's plan to lease land to a Singapore Chinese timber and mining company five days before polling in the 1964 election. In this case both PAS and the Alliance (and hence UMNO) invoked the historically and legally established principle of the territorial inviolability of Kelantan's land.

In the conflict between PAS-controlled Kelantan and the UMNO-dominated Centre, Kelantan's financial weakness was continually exposed by the Centre. The PAS Government was constantly plagued by financial difficulties which the Central Government alleged were caused by the PAS Government's financial mismanagement, especially in its handling of the Kelantan River Bridge Project.<sup>13</sup> PAS alleged that the Central Government contributed to Kelantan's financial difficulties by delaying payment of capitation grants, refusing to honour its promise to give a loan for the Kelantan River Bridge Project, not contributing for two years (1962 and 1963) to the cost of Islamic education in Government-assisted schools, and blocking disbursements that Kelantan was entitled to make.<sup>14</sup>

The PAS Government's financial difficulties weakened its position *vis-à-vis* the Centre. This was clearly seen when in December 1967 the Kelantan Menteri Besar, Datuk Mohamad Asri bin Haji Muda, approached the Prime Minister, Tunku Abdul Rahman, for a Central Government loan of \$1.5 million to pay the December salaries of State Government servants. Perhaps unwilling to see a State Government, even if controlled by an Opposition



party, go bankrupt and, more importantly, to exploit the PAS Government's financial weakness, the Central Government extended a \$1 million loan to the PAS Government. It hoped to acquire some control over the State's finances through the loan agreement, which required the PAS Government to seek the advice of Federal Treasury officials when preparing future State budgets. However, the PAS Government reneged on this with its 1968 budget, contending that this had been prepared before the agreement was signed. In retaliation no further Central financial assistance was extended to Kelantan and Centre-State relations returned to their normal antagonistic pattern.

The Kelantan PAS leaders were, first and foremost, political animals, aware that their political careers depended on maintaining and securing power in Kelantan. This in part depended on their ability to respond to popular demands for economic development. It was here that the Central Government had the whip hand. The PAS State Government acknowledged the intensity of the demands and the strength of the Centre: for example, it appeared to want cordial relations with the Centre after the 1964 election. The *Mentri Besar*, *Datuk Asri*, pledged that the State Government would co-operate fully with the Central Government in the field of development.<sup>15</sup> This thaw in Centre-State relations was short-lived. The reason was clear: the Kelantan UMNO leaders feared that such cordiality would eventually undermine their political strength in the State and, accordingly, applied pressure on the Central Government to change course.<sup>16</sup> Political calculations had again shaped Centre-State relations.

There was also an Islamic dimension to UMNO-PAS competition, well captured by the accusatory label of 'un-Islamic'. PAS always considered itself the only truly Islamic party and had regularly labelled UMNO an 'un-Islamic' party. To strengthen its Islamic credentials UMNO put forward plans for the building of mosques in Kelantan. These were to be paid for by the Central Government and implemented through the *Majlis Ugama* which UMNO was attempting to control, eventually with success.<sup>17</sup> Raising the Islamic issue was one way, so PAS hoped, of clearly differentiating PAS from UMNO and weaning Malay support away from UMNO.

PAS was not without its problems of unity and cohesion. These emerged, for example, during the 1964 leadership struggle for the succession to *Dr Burhanuddin Al-Helmy* and *Zulkifli Muhamad* as

the party's President and Deputy President respectively. The uneasy co-existence of traditional, conservative, and orthodox *Ulama* on one side and a modernist-reformist group on the other further undermined its unity and cohesion. These internal dissensions presented fertile grounds for UMNO. Dissident PAS leaders and members were encouraged to defect from the party. In August 1968, for example, the Kelantan UMNO, then under Tun Abdul Razak, initiated a Trengganu-like manoeuvre by encouraging the defection of PAS Assemblymen to UMNO in the SLA. This, however, failed.<sup>18</sup>

From 1959 to 1969 Centre-State relations were inexorably shaped by UMNO-PAS competition. Confrontation and mutual accusations of non-cooperation characterized these relations. Both parties were obsessed by considerations of political advantage. The development of practical, not to speak of co-operative, Centre-State relations was hindered by these two implacable foes. The political distance between UMNO and PAS as well as between Centre and State was both emphasized and clearly defined. Not surprisingly the only two Court cases involving the Central and State Governments, in 1963 and 1968 as discussed in Chapters 1 and 2 respectively, were between the Centre and the PAS Government of Kelantan. In the 1969 election PAS retained control of Kelantan.

### *The 1969-1974 Period*

Emergency rule through the NOC at the Centre was imposed following the tragic events of May 1969. The NOC was linked to the State Operations Council (SOC) in each State. During the NOC rule from May 1969 to February 1971 party government and politics were suspended at the Centre and State levels and were reinstated only after the rules governing inter-party competition were changed. The changes, designed to ensure national political stability, tended to strengthen UMNO's dominance.

The decline, if not decay, of the Alliance institution was underlined by its component parties' loss of votes and seats in the 1969 election. The decline in the MCA's political base and credibility, made worse subsequently by factionalism, and the increasing support given to other essentially Chinese parties were alarming. UMNO's hold on its Malay clientele was considerably weakened by PAS's successful challenge in Kelantan, Kedah, and Trengganu. More Malays voted for PAS than for UMNO in

Malay-majority constituencies where the two parties were engaged in straight fights, especially in these three States.<sup>19</sup> After 1969 the Alliance's claim to represent the majority of the two communal groups was tenuous. If the key to political stability in Malaysia depended on inter-communal co-operation and understanding, then the Alliance institution was unsuitable in the post-May 1969 context and had to be replaced. The BN, essentially an extension of the Alliance formula by including several Opposition parties, was the replacement preferred by Tun Abdul Razak and his colleagues in UMNO.

The changes in the rules governing inter-party competition were supported by PAS because it did not want the NOC rule to be continued. If NOC rule were continued PAS leaders and members would be denied, through competitive politics, a political role and access to the spoils of office especially in Kelantan and increasingly in Kedah and Trengganu where they believed that PAS had real possibilities of capturing power. The changes, however, legally required PAS not to base its appeals on the 'sensitive' issues, previously the stuff of PAS politics, and especially on that calling for the restoration of Malay sovereignty. In short, these changes appeared to undermine its potential growth.<sup>20</sup> But several other reasons persuaded PAS leaders to join the BN coalition and work with UMNO.

First, the legal limits placed upon PAS's traditional political style compelled PAS leaders to seek a practical alternative. Secondly, they were encouraged by changes in UMNO's leadership in 1970 which to them represented changes towards their way of thinking.<sup>21</sup> The PAS-UMNO coalition, justified by both sides as essential to Malay unity and the protection of Malay gains, could be further justified by PAS leaders as 'natural' because of UMNO's move towards PAS views. Thirdly, the electoral support for PAS in Kelantan since 1959 had steadily declined. This had generated fears among PAS leaders (and hopes among UMNO leaders) that Kelantan might eventually come under UMNO rule.<sup>22</sup> They believed that joining the coalition would, apart from freezing UMNO-PAS competition in Kelantan, provide the Kelantan PAS State Government and PAS members generally with access to Central Government assistance and Governmental power outside Kelantan.<sup>23</sup> This would thus improve PAS's hold on the Kelantan electorate by its becoming, through Central assistance, a more effective State Government and by its ability to distribute patron-

age to its supporters outside Kelantan. Fourthly, factionalism within the Kelantan PAS had continuously threatened Datuk Mohamad Asri's position as *Mentri Besar* and leader of the Kelantan PAS. Factionalism, as in Trengganu, could profitably be used by UMNO to unseat Datuk Mohamad Asri. Ironically Datuk Mohamad Asri felt that his hold on power depended on a working arrangement with UMNO.<sup>24</sup> Fifthly, PAS leaders feared that the Central Government's anti-corruption moves might be directed at them if they refused to join the BN. Corruption was believed to be extensive at the State level and, according to Alias Mohamed, 'The need to set up the NBI [National Bureau of Investigation] was considered most urgent in view of the fact that the opposition was in control of two state governments. Obviously the Alliance party had also taken into account the bad experience it had with the PMIP in Kelantan.'<sup>25</sup> PAS leaders were under no illusions as to what awaited them had they refused to join the BN.

The PAS leaders' decision to join the BN, however, was not unanimously supported by PAS members and hence divided the party. This division, fuelled by Datuk Mohamad Asri's personal leadership style, further weakened PAS. To those who were against, the coalition represented the betrayal, and indeed the abandonment, of PAS's ideals and political struggles. After all, by joining the coalition, PAS assumed with UMNO the formal responsibility for protecting the political, economic, and cultural interests of both non-Malays and Malays. Remarkably, for a party that 'began with the objective of restoring Malay sovereignty and regarded non-Malays as temporary residents of the country, this represents a fundamental change, a change brought about in part by its involvement in competitive political processes'.<sup>26</sup> For UMNO, PAS's inclusion in the BN was vital for two reasons. First, PAS's previous independent political actions had, through its increasing emphasis on Malay communalism, considerably undermined UMNO's claim as the pre-eminent Malay party and its multi-communal approach to integration: PAS's independence had to be reduced to protect UMNO's dominance and to ensure the BN's success. Thus coalition politics seemed most practical in terms of domesticating an implacable party. Secondly, UMNO wanted to regain access to governmental power in Kelantan and the coalition would provide for this.

The PAS formally joined the BN Government at the Centre and States on 1 January 1973. The coalition somewhat blurred the

political distance between UMNO and PAS and provided the opportunity for developing practical, if not co-operative, Centre-Kelantan relations. Not coincidentally Central Government assistance, based on the policy of equalization which just then had been resurrected as discussed in Chapter 3, was provided for Kelantan. UMNO-PAS relations, however, remained competitive but were conducted within the coalition and Centre-Kelantan relations accordingly remained relations of power. Thus the question of dominance within the BN became crucial. UMNO had unre-servedly arrogated and won dominance in the Alliance and this was re-emphasized before the BN's formation. In January 1971 Tun Abdul Razak, then UMNO Deputy President and NOC Director, declared: 'The source of strength of our government lies with the party [UMNO]. UMNO members and leaders must be responsible in determining the guidelines to co-ordinate the policies of the Government and those of the party so that aspirations for change among the people may be fulfilled.'<sup>27</sup> The non-Malay parties in the BN had accepted UMNO's dominance as a political fact. PAS's response was reserved, especially when, in its view, UMNO was attempting to extend its dominance into Kelantan.<sup>28</sup> Several events defined the relations of power between UMNO and PAS, hence of Centre and State, and these pointed towards UMNO's dominance. PAS found this inimical to its interests.

### *The 1974-1978 Period*

The 1974 Parliamentary and State elections provided the first electoral test for the BN. Despite the challenge in Kelantan from PAS dissidents, the BN component parties won all the seats allocated.<sup>29</sup> Soon after factionalism within the Kelantan PAS re-emerged and this centred on the competition for the Mentri Besar's post. In the Alliance-controlled States the Mentri Besar was always chosen by the Alliance National President, who was simultaneously the Prime Minister and UMNO President. This practice emphasized UMNO's dominance within the Alliance. Should PAS, however, after joining the BN submit itself to this procedure in the appointment of the Kelantan Mentri Besar, for long its prerogative? This power was crucial in terms of perpetuating and securing Kelantan for PAS and ensuring that its members' past records were not exposed by a hostile Mentri Besar.

The PAS President, Datuk Mohamad Asri, as a Cabinet

Minister, was conveniently out of the race but he preferred his nominee, Wan Ismail bin Wan Ibrahim, appointed as the *Mentri Besar*. On him rested the hopes and fortunes of Datuk Mohamad Asri's supporters in Kelantan and, if appointed, he 'would most likely prefer to salvage the interests of his immediate mentor, Dato Mohamad Asri, and close associates'.<sup>30</sup> The Prime Minister, Tun Abdul Razak, the BN and UMNO President, nominated Datuk Mohamad Nasir, another PAS Assemblyman. Datuk Mohamad Nasir was appointed the *Mentri Besar* with Wan Ismail as the Deputy *Mentri Besar*. Datuk Mohamad Nasir was considered a 'naïve' politician by PAS, but he was reputed to be scrupulously honest. Tun Abdul Razak's choice was deeply resented and PAS only reluctantly accepted it. The Kelantan UMNO, however, welcomed it.<sup>31</sup> PAS held Tengku Razaleigh Hamzah, the Kelantan UMNO SLC's Chairman and Finance Minister, responsible for rejecting its nominee. The Sultan of Kelantan was also believed to be involved in rejecting PAS's nominee. Datuk Mohamad Nasir was clearly more acceptable to UMNO and it hoped that through him many of the serious problems involving land and administration in the State would be solved.

Within a week of becoming *Mentri Besar*, Datuk Mohamad Nasir announced that his first task was to wipe out corruption.<sup>32</sup> UMNO leaders unequivocally endorsed the *Mentri Besar*'s honesty and supported his moves. Datuk Mohamad Nasir invited the NBI to investigate the alleged corrupt practices of PAS leaders. He also introduced policies that damaged the interests of several PAS leaders and members. For example, in 1975, without consulting his party, he cancelled a timber company's lease covering 350,000 acres of land<sup>33</sup> and thus claimed to have 'redeemed' it for Kelantan by paying \$3.5 million as compensation to the company. The State Government borrowed the money from the Central Government through Tengku Razaleigh's good offices.

As the *Mentri Besar* with UMNO's backing and access to Central resources, Datuk Mohamad Nasir was in a position to build up his personal following in Kelantan. Datuk Mohamad Asri, as a Cabinet Minister, was cut off from his Kelantan following and was thus unable to counter Datuk Mohamad Nasir's every move. Datuk Mohamad Nasir's hold on the Kelantan PAS, however, was tenuous. He lacked the backing of the men who controlled the State and National PAS organization.<sup>34</sup> He thus had to improve his

political stocks. In June 1975 he challenged Datuk Mohamad Asri for the PAS National Presidency. His attempt failed but it sharpened factionalism in PAS. Resentment towards Datuk Mohamad Nasir led to demands from within PAS—from PAS members whose interests were damaged by his policies—for his resignation.<sup>35</sup> They saw Datuk Mohamad Nasir as having been 'captured' by UMNO, cultivating and becoming closer to UMNO leaders and apparently forgetting that he was a PAS man. They also claimed that he was following Tengku Razaleigh's directives rather than those of the PAS's SLC or even the State Exco. These developments soured relations between the Datuk Mohamad Asri and Datuk Mohamad Nasir factions and consequently also between UMNO and PAS.

Meanwhile, there were frequent calls for a review of PAS's coalition with UMNO and such sentiments were expressed, for example, at the party's Twenty-first Annual Congress of 1975.<sup>36</sup> Leadership changes in UMNO further strained UMNO-PAS relations because the new UMNO leaders were viewed as having little sympathy for PAS.<sup>37</sup> PAS's dissatisfaction with the distribution of the benefits of coalition was also expressed. To this, UMNO leaders expressed irritation and maintained that 'we have given them more than we could afford'.<sup>38</sup> The PAS leaders were also persistently attempting to make common cause with extreme Islamic groups. During the 1977 PAS Annual General Assembly, for example, Datuk Mohamad Asri expressed reservations, based on Islam, about the suitability of Western democratic practice. These moves irritated UMNO leaders and further nourished the climate of mutual suspicion.

Many in PAS wanted to make a stand on the party's rights and interests within the coalition, especially in Kelantan; if not they might lose their Kelantan following to Datuk Mohamad Nasir and UMNO. This stand came in 1977 and was directed at UMNO and Datuk Mohamad Nasir. The resulting political conflict in Kelantan had its roots, however, in the divisions caused by the 1974 appointment of Datuk Mohamad Nasir. The group opposed to him was supported by the highest level of the PAS leadership. Clearly this crisis was not new and that it had been building up for a long time.<sup>39</sup> Datuk Mohamad Nasir had written to PAS President Datuk Mohamad Asri, indicating that he would retire on 31 August 1977.<sup>40</sup> The date came and went without his resignation.

On 10 September 1977 the Kelantan PAS SLC, chaired by Dato

Ishak Lofti, demanded the resignation of Datuk Mohamad Nasir for allegedly obstructing State party affairs. Datuk Mohamad Nasir, however, questioned the propriety of this decision, taken without the prior approval of the BN Supreme Council (SC) and motivated by dissatisfaction over his anti-corruption policies; he refused to resign.<sup>41</sup> The PAS SLC, on 11 September 1977, gave notice of a motion of no confidence against the Mentri Besar to the SLA's Secretary. The PAS Religious Council, several National and State PAS leaders, and other groups in Kelantan supported Datuk Mohamad Nasir's stand. The National PAS Central Executive Committee (CEC) meeting of 26 September 1977 chaired by Datuk Mohamad Asri demanded Datuk Mohamad Nasir's resignation within three days. After consulting Dr Mahathir Mohamad, then Acting Prime Minister, Datuk Mohamad Nasir announced that he would not resign. On 29 September 1977 the PAS CEC voted, although not unanimously, to expel Datuk Mohamad Nasir from PAS for not adhering to its earlier decision. This provoked several resignations from and sharpened the divisions within the Kelantan PAS. Datuk Mohamad Nasir announced that he would challenge the expulsion order in court.

Expelled from PAS, Datuk Mohamad Nasir was, in principle, no longer a BN member. Thus, as a partyless Mentri Besar, he could not be protected by UMNO and MCA votes in the SLA. Tun Hussein Onn, the Prime Minister, BN and UMNO President, declared that the BN would also have to decide on this. Datuk Mohamad Nasir urged the BN to intervene but Datuk Mohamad Asri argued against this, insisting that the conflict was an internal PAS affair. Later the PAS CEC's expulsion decision was considered 'technically' invalid by the Kelantan High Court and Datuk Mohamad Nasir was restored to PAS membership. However, a special PAS CEC meeting of 10 October 1977 again decided by 13 votes to 7 to expel Datuk Mohamad Nasir. With this the Kelantan PAS pursued its no-confidence motion in the SLA. This was a reassertion of PAS dominance in Kelantan. It challenged UMNO's presumption of dominance precisely by sacking the Mentri Besar who was unmistakably UMNO's choice.

UMNO could not remain 'neutral'. At the 15 October 1977 meeting of the SLA the no-confidence motion against the Mentri Besar was passed: surprisingly, all 20 PAS Assemblymen voted for the motion, and Datuk Mohamad Nasir, and 12 UMNO and 1 MCA Assemblymen walked out while the votes were counted.<sup>42</sup>



Hussein Ahmad, the UMNO leader in the SLA, declared that UMNO would not co-operate with any new State Government formed by the same PAS group. Datuk Mohamad Nasir, encouraged by massive public demonstration of support, requested that the Regent of Kelantan dissolve the SLA.<sup>43</sup> The 20 PAS Assemblymen had apparently written to the Regent before the SLA meeting requesting him not to dissolve the SLA if requested by the Mentri Besar.<sup>44</sup>

The Kelantan PAS SLC meanwhile had decided on an all-PAS line-up for a new State Government with a new Mentri Besar, one of the 20 PAS Assemblymen. PAS hinted that this line-up could form the new BN State Government. Datuk Mohamad Asri justified UMNO's exclusion by referring to the example of Sabah where the State Government was made up of only one party (Berjaya) and excluded the other (United Sabah National Organisation, USNO) which was also a BN member. But Tengku Razaleigh insisted that Tun Hussein Onn must approve PAS's line-up and that the BN concept required UMNO's inclusion. Datuk Mohamad Asri replied that UMNO's participation depended on the Kelantan PAS SLC and the new PAS Mentri Besar whose name would be submitted to Tun Hussein Onn for approval.<sup>45</sup> It seemed that, with the Regent's indecision over the SLA's dissolution, Datuk Mohamad Nasir's unwillingness to resign, and no agreement between UMNO and PAS over the composition of a new State Government, a political impasse had emerged. Negotiations between UMNO, PAS, and Datuk Mohamad Nasir were begun and three 'peace' formulae were presented and discussed but the political impasse remained unresolved.<sup>46</sup> UMNO and PAS were not able to agree on which party should appoint the new Mentri Besar and determine the composition of the State Exco. PAS considered this to be its prerogative in Kelantan but UMNO was not willing to concede this even in Kelantan. Five PAS members in the Central Government resigned subsequently.<sup>47</sup>

On 8 November 1977, a State of Emergency was declared and Kelantan placed under Central authority.<sup>48</sup> A Director of Government, directly responsible to the Prime Minister, with all the authority, powers, duties, and functions of the Mentri Besar and State Exco, was appointed to administer Kelantan. The Director, Hashim Aman, was advised by a State Advisory Council of which he was the Chairman.<sup>49</sup> The Prime Minister admitted that this,

politically, would reduce the Mentri Besar, Exco, and SLA to mere 'puppets'.<sup>50</sup> Datuk Mohamad Nasir and 3 UMNO Assemblymen remained as Mentri Besar and Exco members respectively. The status of PAS within the BN, however, remained to be settled. The UMNO SEC meeting of 9 December 1977 decided that, to maintain BN party discipline, PAS should be given until 13 December to expel those PAS MPs who had voted against the Emergency Bill or face expulsion from the BN. Tun Hussein Onn explained that this decision was aimed primarily at the present PAS leadership and if, after the party was expelled, 'a new leadership takes over later and apply [*sic*] to rejoin the Barisan we will consider their request'.<sup>51</sup> The BN SC endorsed UMNO's decision. PAS duly refused to comply and on 14 December 1977 Datuk Mohamad Asri announced that PAS considered itself expelled from the BN. On 17 December PAS was expelled from the BN. Meanwhile, Datuk Mohamad Nasir announced the formation of another party, Barisan Jumaah Islamiah Malaysia (Berjasa), and pledged co-operation with UMNO. The split within PAS had now taken organizational form.

For about two months before Central rule the Kelantan State Government was paralysed. Under the State Constitution the Regent could dissolve the SLA in preparation for a new State election but he was indecisive. Tun Hussein Onn explained that this was probably because the Regent feared that his decision might create friction among the various groups.<sup>52</sup> The Regent's indecision, possibly prompted by fatherly advice from the Sultan of Kelantan, indicated keen interest in the political manoeuvrings within PAS and between PAS and UMNO.<sup>53</sup>

On 12 February 1978, after a four-month period of very 'dynamic' State Government by a development-orientated Federal Director, Emergency rule was lifted. Full governing powers were returned to Datuk Mohamad Nasir and the three UMNO Exco members.<sup>54</sup> At the Mentri Besar's request the Regent dissolved the SLA on 13 February 1978. A caretaker State Government with Datuk Mohamad Nasir as Mentri Besar, Hussein Yaakob as Deputy Mentri Besar, and the previous three UMNO Exco members was formed. Agreement on a partial UMNO-Berjasa electoral pact was reached for the State election scheduled on 11 March 1978.<sup>55</sup> In the election PAS won only 2 seats, UMNO 22 seats, MCA 1 seat, and Berjasa 11 seats. A BN State Government was formed with an UMNO Mentri Besar, Mohammad Yaakob,

and several Berjasa Assemblymen as Exco members.<sup>56</sup> Thus, UMNO dominance in Kelantan, lost in 1959, was re-established and Kelantan ceased to be the exception to the rule.

### *Discussion and Conclusion*

The federal system, by providing opportunities for a party to win power at the State level, made possible the exception of Kelantan controlled by an Opposition party. Although the Peninsular Malaysian-Federation is a tight one with a very strong Centre, States are provided with certain powers, especially over land,<sup>57</sup> and can be effective centres of political patronage with which the governing party can reward loyal and potential supporters. The PAS Government in Kelantan used such powers to disburse patronage and resist the implementation of Centrally-financed development projects.

The PAS used Kelantan as the political base from which to challenge UMNO's pretensions as the pre-eminent Malay party and its model of multi-communal integration. In this way PAS was able to nourish the dedication and hope of its members in other States and it hoped to displace UMNO as the pre-eminent party at the Centre. For UMNO, PAS-controlled Kelantan had to be tamed lest the exception eventually became the rule.<sup>58</sup> For PAS, Kelantan as an indispensable power base had to be maintained and secured. Consequently UMNO-PAS competition for control of Kelantan generated Centre-State tensions but without the federal system that competition could not have been sustained. Thus the combination of communal and national politics with the federal system provides added significance to States as centres of power. As Enloe correctly emphasized, 'The importance of State regimes and thus State level politics in western Malaysia [Peninsular Malaysia] stemmed from their relationship to the model of national ethnic integration on which the Alliance [UMNO] has staked its power.'<sup>59</sup>

PAS claims to be a National party and appeals to State and National electorates. Support for PAS, however, has been consistently strongest in Kelantan. Its success varies directly with the 'Malayness' of States—the degree of Malay concentration in each State. That this kind of situation can provide the basis for regionalism in a Federation was suggested by Hicks and supported by Watts and Means.<sup>60</sup> However, the 'Malayness' or homogeneity

of States as such cannot adequately explain PAS's success in Kelantan. It is the elements or ingredients making this 'Malayness' specifically 'Kelantanese' that are crucial. These include the socio-economic and cultural milieu, the pattern of divisions and élite competition, and the patron-client links in Kelantan society. These define Kelantan's 'regionalness' and, after PAS captured power here, its 'political distance' *vis-à-vis* the Centre and other States seemed complete. As such several conditions and interests were and still are present. 'Malayness' helps by making Kelantan a full-fledged Malay society and thereby creating conditions 'wherein modern politics were intra-Malay politics centering upon divisions within Malay society rather than (as elsewhere in the peninsula) being dominated... by interethnic issues'.<sup>61</sup> PAS used these ingredients and conditions to successfully mobilize the Kelantanese for competitive and electoral politics against UMNO. Its success was considerably influenced by the active support it received from the leaders of rural society, especially religious leaders<sup>62</sup>—the *guru*, *mubhalir* and *imam*—who were and still are influential as opinion-leaders. UMNO tried to win their support through financial and other inducements. PAS's success was rooted in the conditions and interests derived from within Kelantan itself. Thus PAS was a firmly Kelantan-based, if not a Kelantan, party.

In the other States PAS's competitive and electoral performances were poor and uneven. It won control of Trengganu in 1959 but lost it in 1962 after an UMNO-inspired defection. Only in the 1969 general election did it achieve reasonable success in Trengganu and Kedah, significantly the States 'closest' to Kelantan. UMNO was, and remains, dominant in the other States. Several reasons account for this. First, the distinctive conditions and interests in Kelantan are not present to the same degree in other States. In Kelantan these have produced, for example, a tradition of competition between the traditional and non-traditional élites which was expressed after Independence in terms of UMNO-PAS rivalry. No similar tradition of similar scale and significance was expressed in other States. In these States there was competition for influence, if not control, of the State but these were essentially intra-traditional elite affairs. The UMNO, however, had co-opted such élites who before Independence were involved in 'court' politics.<sup>63</sup> Not surprisingly the UMNO also fell heir to the traditional factionalism dividing the traditional élites. In addition, the UMNO successfully recruited lesser élites—like Malay school

teachers. Thus in these States UMNO successfully co-opted the power structure within Malay society which was used successfully to mobilize the Malays. Means argues that in most 'instances, UMNO merely incorporated existing Malay political and administrative office holders into the party, thus capitalizing on a political communication and authority system already in existence'.<sup>64</sup> In these States, unlike Kelantan, electoral and party politics emphasized the durability of the traditional acceptance of the traditional élites' leadership. This implies a difference in the political culture and tradition between that in Kelantan and that in other States, especially concerning political attitudes of ordinary Malays to the States' traditional élites.

This leads to the second reason which refers to the role of rural and religious élites in Malay society. In Kelantan PAS was successful in mobilizing such elements in opposition to UMNO. In the other States, however, according to Ratnam and Milne,

... the Alliance (UMNO) often had the upper hand; this, however, was not of equal significance since in these states the religious elites were both less active and less politically influential. This difference is perhaps best explained in terms of the more traditional nature of Kelantan society, a fact which has helped to sustain the influence of traditional opinion-leaders. Helped by the continuance of traditional values and relationships, there was also proportionately a greater number of religious leaders in that State.<sup>65</sup>

In short, because the other States were less traditional in nature, the religious élites were proportionately smaller in number and less active and politically influential than in Kelantan. Further, their allegiance together with that of other lesser élites was to UMNO. Thus those elements of society that PAS depended on and successfully mobilized in Kelantan were in the other States supporting UMNO.

In the competition for control of Kelantan, between 1959 and 1969, UMNO had several things in its favour. First, it had ready access to the Centre's resources which it used to undermine the PAS Government's effectiveness. Second, there was no viable alternative to the UMNO-dominated Alliance at the Centre. Nevertheless, PAS retained control of Kelantan although its electoral support declined. It failed to win control of the Centre and its only prospect of winning power remained confined to the State level.

After the 1969 election several reasons drew the two implacable foes into a coalition. However, UMNO-PAS rivalry persisted and centred on the issue of dominance within the BN. Both attempted to cultivate and consolidate their hold on the Malays. Already PAS had to pay a high price for joining the BN when, after the 1974 election, the Prime Minister selected the *Mentri Besar*. The political crisis of 1977, having its roots in the 1974 appointment of Datuk Mohamad Nasir, was shaped by the unrelenting UMNO-PAS rivalry. Intentionally or not, this appointment worked to UMNO's benefit for several reasons. First, Datuk Mohamad Nasir, opposed by the Asri faction who controlled the Kelantan PAS SLC and National PAS CEC, was made dependent on UMNO and the Centre. Secondly, encouraged by UMNO, Datuk Mohamad Nasir became the focal point for the coalescence of an alternative Kelantan PAS leadership. With access to Central resources, he was capable of widening his personal following in Kelantan to the detriment of the Asri group. Consequently, and thirdly, internal divisions were generated and these hampered and weakened the Kelantan PAS. The Asri group, threatened by Datuk Mohamad Nasir's moves against corruption and facing the prospect of the irretrievable loss of its Kelantan following, initiated moves within PAS and the SLA to oust Datuk Mohamad Nasir as *Mentri Besar*.

Datuk Mohamad Nasir was duly expelled from PAS and voted out in the SLA. However, supported by UMNO, he did not resign and, intriguingly, the Regent did not immediately dissolve the SLA on Datuk Mohamad Nasir's request. UMNO-PAS negotiations to overcome the impasse proved fruitless. With each new round of negotiations UMNO, sensing an opportunity and gaining in confidence, hardened its attitude and PAS was finally presented with an ultimatum. PAS rejected this and Central rule was imposed.

The period of Central rule provided the opportunity for advertising the determination of the Centre and of UMNO to establish, in contrast to PAS, a clean, efficient, and effective State Government especially by introducing and accelerating development projects. The PAS leaders, discredited by allegations of corruption, dispirited and disunited, were further weakened by the loss of supporters to the new Berjasa party. UMNO sensed that the opportunity to regain dominance in Kelantan had arrived and suddenly on 12 February 1978 Emergency rule was lifted, the SLA

dissolved, and a State election scheduled. In the election PAS, facing a partial UMNO-Berjasa pact, performed abysmally and lost its dominance to UMNO.

Several reasons accounted for PAS's failure to secure Kelantan as the exception. First, there was UMNO's ruthlessness in pursuing its self-appointed task. Secondly, PAS, discredited, dispirited, disunited, and burdened by a history of administrative inefficiency, corruption, and internecine factionalism, had its previously pure soul and image successfully challenged by, if not lost to, a devout and self-effacing Datuk Mohamad Nasir and his Berjasa party. Consequently, the Kelantan PAS was unable to mobilize its traditional Kelantan following who were already divided, bewildered, and disenchanting. PAS's task was made more difficult by UMNO-Berjasa co-operation. Thirdly, UMNO's access to Central resources enabled it to cultivate and secure the support of followers and clients. It suggests that UMNO-promised development, which had failed to convince the Kelantanese before 1978, was acceptable as long as it was not perceived as corrupting. Fourthly, the pace of events after the no-confidence vote worked to UMNO's advantage. If the Regent had immediately dissolved the SLA and PAS was still a BN member it might have performed better. At that point, UMNO still believed that PAS's hold on the Kelantanese was strong. Thus, even if UMNO had wanted to discipline PAS for provoking the crisis, it probably would not have expelled PAS from the BN for fear that PAS might still have won Kelantan and then taken Kelantan back to its pre-coalition 'independent' ways. Furthermore, an immediate expulsion of PAS could have worked to its advantage by portraying it to Kelantanese as the innocent victim of the Centre's power play. The delay thus enabled UMNO to gauge and undermine PAS's support and to generate a sense of crisis and urgency which provided the excuse for the imposition of Central rule. PAS's expulsion from the BN followed soon after. After Central rule was withdrawn UMNO, newly confident, offered only a partial pact to Berjasa but still won all 13 three-cornered contests in the State election. PAS would have done better if it had still been in the BN.

From 1959 to 1978 several phases of Centre-Kelantan relations can be identified: first, between 1959 and 1969 when the relations were shaped by intense UMNO-PAS competition thereby emphasizing 'political distance' between UMNO and PAS and between

Centre and Kelantan; secondly, after NOC rule, between 1971 and 1977 when UMNO-PAS competition was conducted within the BN, thereby blurring somewhat the 'political distance' between UMNO and PAS and providing the basis for practical Centre-Kelantan relations; and, thirdly, during Central rule and the 1978 election when UMNO won control of Kelantan, thereby returning it to the dominant pattern of Centre-State relations. Throughout the three phases State and National UMNO leaders employed the resources of the Centre.

The Kelantan case suggests that several other conditions, apart from the federal system, are required to secure the survival of State-based parties. First, there should be the presence and importance of State-derived economic, social, political, and cultural forces in the State's political process. A party can then feed on and reflect these forces in mobilizing State voters. PAS's ability to do this largely contributed to its success in Kelantan. A second requirement is unity and cohesion in the State-based party. Not coincidentally, PAS, weakened by divisions and a formal split, failed to mobilize the Kelantan voters and suffered electorally in 1978. Third, State-based parties must come to a practical and working arrangement with an UMNO-dominated Centre especially so within the tightly-knit Federation of Peninsular Malaysia. This is premised on the fact that the State Government's effectiveness depends on Central assistance and there is no viable alternative to an UMNO-dominated Centre. Furthermore, on its past records, UMNO will assert its dominance at the Centre or State by almost any means. Thus, at the very least, State-based parties controlling State Governments must accept, grudgingly perhaps, UMNO's dominance and approach to multi-communal integration in return for Central assistance which is crucial in establishing an effective State Government.

The federal system, to function effectively, requires a State and National leadership that is tolerant of political diversities. The Kelantan case suggests that although Central UMNO leaders were implacably opposed to PAS-controlled Kelantan, it was nevertheless tolerated for a long time. This does not mean that they eschewed any conceivable opportunity to undermine PAS in Kelantan. It does mean, however, that Central leaders—whatever their wishes—simply have to tolerate State-based oppositions which are invulnerable in their State.



1. It is like the group inclination exhibited by the linguistic and regional groups of India. See W. H. Morris-Jones, *Parliament in India*, London, Longmans, Green & Co., 1957, pp. 18-19. Kelantanese distinctiveness is sometimes expressed in their claims that they are the bastion of Malay culture and tradition. See M. Nash, 'Ethnicity, Centrality and Education in Pasir Mas', in W. R. Roff, ed., *Kelantan: Religion, Society and Politics in a Malay State*, Kuala Lumpur, Oxford University Press, 1974, p. 243.

2. Kelantan believed that the pattern of development then taking place in the States of the FMS, Straits Settlements and Johore resulted in direct British participation in the affairs of these States and produced a radical transformation of the communal composition in these States by bringing in ever-increasing numbers of immigrant non-Malays to work the 'new' fields of economic activity. See C. S. Kessler, 'Muslim Identity and Political Behaviour in Kelantan', in Roff, ed., *op. cit.*, p. 280.

3. See W. R. Roff, 'The Origin and Early Years of the Majlis Ugama', in Roff, ed., *op. cit.*, pp. 101-52; R. L. Winzeler, 'The Social Organization of Islam in Kelantan', in Roff, ed., *op. cit.*, pp. 259-71; R. L. Winzeler, 'Malay Religion, Society and Politics in Kelantan', Ph.D. dissertation, University of Chicago, 1970; and Kessler, *op. cit.*, pp. 280-1.

4. See Kessler, *op. cit.*, pp. 277-80; D. E. Moore, 'The United Malays National Organization and the 1959 Malayan Elections', Ph.D. dissertation, University of California, 1960, pp. 69-80; Muhammad Salleh b. Wan Musa (with S. Othman Kelantan), 'Theological Debates: Wan Musa b. Haji Abdul Samad and His Family', in Roff, ed., *op. cit.*, pp. 153-69.

5. Kessler, *op. cit.*, p. 284.

6. The State Council comprised 16 elected and 17 nominated seats.

7. Kessler, *op. cit.*, pp. 284-7.

8. See K. J. Ratnam and R. S. Milne, *The Malayan Parliamentary Election of 1964*, Kuala Lumpur and Singapore, University of Malaya Press, 1967, pp. 34-5; G. P. Means, *Malaysian Politics*, 2nd ed., London, Hodder & Stoughton, 1976, Chapter 13; and Moore, *op. cit.*, pp. 79-81.

9. See Kessler, *op. cit.*, pp. 289-92, and Y. Mansoor Marican, 'The Political Accommodation of Primordial Parties: DMK (India) and PAS (Malaysia)', Ph.D. dissertation, University of British Columbia, Vancouver, 1976, pp. 146-50; and R. Kershaw, 'Of Race, Class and Clientship in Malaysia', *Journal of Commonwealth and Comparative Politics*, Vol. 14, No. 3, November 1976, pp. 299-303.

10. See R. Kershaw, 'The "East Coast" in Malayan Politics; Episodes of Resistance and Integration in Kelantan and Trengganu', *Modern Asian Studies*, Vol. 11, No. 4, 1977, pp. 521-2; Alias Mohamed, 'The Pan-Malayan Islamic Party: A Critical Observation', in *Southeast Asian Affairs*, 1978, Singapore, Heinemann Educational Books (Asia) Ltd. for Institute of Southeast Asian Studies, 1978, pp. 172-5; Mansoor Marican, *op. cit.*, p. 152; and Ratnam and Milne, *The Malayan Parliamentary Election of 1964*, p. 106.

11. The contrast was drawn especially with Trengganu, a former PAS-controlled State. See Ratnam and Milne, *The Malayan Parliamentary Election of 1964*, pp. 152-3; G. D. Ness, *Bureaucracy and Rural Development in Malaysia: A Study of Complex Organizations in Stimulating Economic Development in New States*, Berkeley, University of California Press, 1967, p. 216; *Warta Malaysia*, 19 August 1967 and 11 July 1968; Alliance Manifesto of 1969 for Kelantan, re-

produced in Kershaw, 'The "East Coast" in Malayan Politics', Appendix D; and *Straits Times*, 11 April 1969 and 24 April 1969.

12. See Ratnam and Milne, *The Malayan Parliamentary Election of 1964*, pp. 153-4 and 193.

13. See Chapter 2; *Sunday Times*, 29 November 1964; and Alias Mohamed, *op. cit.*, p. 175.

14. See Mansoor Marican, *op. cit.*, pp. 213-15, and Kershaw, 'The "East Coast" in Malayan Politics', p. 522 and note 21.

15. *Berita Harian*, 7 November 1964.

16. See Mansoor Marican, *op. cit.*, p. 159. Tun Abdul Razak was then Chairman of the Kelantan UMNO SLC.

17. Ratnam and Milne, *The Malayan Parliamentary Election of 1964*, pp. 120-4, and Kessler, *op. cit.*, pp. 294-5.

18. See *Berita Harian*, 19 August 1968 and 14 September 1968; *Straits Times*, 22 August 1968; and Mansoor Marican, *op. cit.*, p. 153. This tactic succeeded in Trengganu in 1962.

19. K. J. Ratnam and R. S. Milne, 'The 1969 Parliamentary Election in West Malaysia', *Pacific Affairs*, Vol. 43, No. 2, Summer 1970, p. 222.

20. PAS responded to the changes by emphasizing Islam in place of 'Malay Rights' and, before the formation of the BN, Alliance policies were accordingly criticized for neglecting Islamic and spiritual elements.

21. Alias Mohamad, *op. cit.*, p. 177. In 1970 Tunku Abdul Rahman was replaced as Prime Minister and UMNO President by Tun Abdul Razak who in turn rehabilitated the Tunku's main political adversaries, Dr Mahathir Mohamad and Musa Hitam.

22. See Kershaw, 'The "East Coast" in Malayan Politics', p. 526, and Mansoor Marican, *op. cit.*, p. 212.

23. This was through the allocation of posts at the Centre and in the other States and was contained in the 'Perjanjian 13 Perkara' or 13-Point Agreement which was reproduced in UMNO, *Penyata Tahunan, 1973*, pp. 142-3. The Agreement allocated specific posts to PAS in the Central and State Governments of Kedah and Trengganu and to UMNO in the Kelantan State Government.

24. Mansoor Marican, *op. cit.*, p. 216.

25. Alias Mohamed, *op. cit.*, p. 176. The NBI, formerly the Anti-Corruption Agency, was established in 1971. Allegations and descriptions of corruption in Kelantan are described in Mansoor Marican, *op. cit.*, pp. 217-19.

26. Mansoor Marican, *op. cit.*, p. 219.

27. *Straits Times*, 24 January 1971.

28. See Kamarudin Jaafar, 'Malay Political Parties: An Interpretative Essay', in *Southeast Asian Affairs, 1979*, Singapore, Heinemann Educational Books (Asia) Ltd. for Institute of Southeast Asian Studies, 1979, p. 125.

29. PAS, with twenty-two State Assemblymen compared to UMNO's thirteen and MCA's one, was the dominant party in the Kelantan BN.

30. Alias Mohamed, *op. cit.*, p. 171.

31. See M. Kamlin, 'The Storm before the Deluge', in H. Crouch, *et al.*, *Malaysian Politics and the 1978 Elections*, Kuala Lumpur, Oxford University Press, 1980, p. 38; Kamarudin Jaafar, *op. cit.*, pp. 215-17; and *Watan*, 19 September 1979. Datuk Mohamad Asri, in the midst of the PAS conflict with Datuk Mohamad Nasir in 1977, admitted that the late Tun Abdul Razak's appointment of Datuk

Mohamad Nasir as the Mentri Besar of Kelantan was a *fait accompli* and that PAS had reluctantly agreed because it wanted to safeguard the newly-formed BN. See *New Straits Times*, 29 October 1977.

32. Alias Mohamed, *op. cit.*, pp. 171-3.

33. This was the much-publicized land lease deal mentioned earlier. As Datuk Mohamad Nasir recalled, the cancellation of the lease angered some people. See *The Star*, 6 October 1977, and *Watan*, 19 September 1977.

34. See *Watan*, 23 September 1977.

35. *Bangkok Post*, 11 November 1977. See also *Utusan Melayu*, 15 September 1977, and *New Straits Times*, 16 October 1977.

36. The threat of PAS's withdrawal was taken seriously and the BN and Kelantan UMNO did consider whether they could hold on to the State if PAS withdrew. See *The Star*, 11 August 1976.

37. UMNO-PAS coalition negotiations were conducted by Tun Abdul Razak and Dr Ismail Abdul Rahman, respectively the Prime Minister and Deputy Prime Minister and also the UMNO President and Deputy President, on the one hand, and Dato Mohamad Asri, PAS President, and Abu Bakar Hamzah, on the other. Dr Ismail and Tun Abdul Razak died in 1973 and 1976 respectively. Datuk Mohamad Asri had Abu Bakar Hamzah expelled from PAS in 1974. Only Datuk Mohamad Asri was left to fulfil the various unwritten agreements between the two parties. He now had to conduct relations with Dato Hussein Onn (the Prime Minister and UMNO President), Dr Mahathir (Deputy Prime Minister and UMNO's Deputy President), and Tengku Razaleigh (Finance Minister, UMNO's Vice-President, and Chairman of Kelantan UMNO SLC). Both Dr Mahathir and Tengku Razaleigh have their respective political bases in the PAS stronghold States of Kedah and Kelantan respectively. Kamarudin Jaafar suggested that both of them 'perhaps saw the emasculation of PAS as one of the ways for strengthening UMNO in their States as well as maintaining their own standing within UMNO'. Kamarudin Jaafar, *op. cit.*, p. 217.

38. Alias Mohamed, *op. cit.*, p. 177. The PAS dissatisfaction appeared to centre on its failure to penetrate the established institutions of society, like the bureaucracy and the army.

39. *Utusan Melayu*, 15 September 1977.

40. Kamlin, *op. cit.*, p. 40.

41. *New Straits Times*, 21 September 1977; *The Star*, 17 September 1977 and 21 September 1977; and *Bintang Timor*, 22 September 1977. A group of sixteen PAS Assemblymen had initially started moves to demand the resignation of Datuk Mohamad Nasir as Mentri Besar. See *Utusan Melayu*, 14 September 1977. He was given until 20 September 1977 to resign. See *Berita Harian*, 17 September 1977. For Datuk Mohamad Nasir's reasons as to why the PAS Assemblymen moved against him, see *Utusan Melayu*, 17 September 1977, 18 September 1977, and 24 September 1977. Datuk Mohamad Nasir alleged that Datuk Mohamad Asri was behind the PAS SLC's decision and that the PAS SLC had met very soon after Datuk Mohamad Asri appointed Dato Ishak Lofti as its Chairman. See *The Star*, 19 September 1977, and *Watan*, 20 September 1977. PAS alleged that Tengku Razaleigh and Kelantan UMNO supported Datuk Mohamad Nasir. See *Watan*, 18 September 1977.

42. It was later revealed that PAS Assemblymen were not united over the no-confidence motion. Hussein Yaakob (Assemblyman for Telipot), on resigning as

PAS Kota Baru Division Deputy President, revealed that several PAS Assemblymen had opposed the motion. If the voting had been secret, he and several other PAS Assemblymen would have voted against. Not all Branches and Divisions of the State PAS organization supported Datuk Mohamad Asri and Kelantan PAS leaders. See *The Star*, 22 November 1977, and *Utusan Melayu*, 22 November 1977.

43. *The Star*, 17 October 1977. The Sultan of Kelantan was then the Supreme Monarch or Yang Di-Pertuan Agong of the Federation. Support for Datuk Mohamad Nasir was expressed in several public demonstrations, many of which degenerated into violence and were followed by the imposition of curfew. See *New Straits Times*, 20-23 October 1977. PAS alleged that these demonstrations were stage-managed by UMNO. See *Bangkok Post*, 11 November 1977.

44. *New Straits Times*, 18 October 1977.

45. *The Star*, 18 October 1977 and 19 October 1977, and *New Straits Times*, 17 October 1977 and 19 October 1977.

46. For these formulae and arguments over them, see *The Star*, 23-26 October 1977 and 28 October 1977, and *New Straits Times*, 26-29 October 1977, 31 October 1977, 1-2 November 1977, and 7-8 November 1977.

47. These included Datuk Mohamad Asri (Minister of Land and Regional Development), Abu Bakar Umar (Deputy Minister of Health), Mustapha Ali (Deputy Minister of Science, Technology and Environment), Zahari Awang (Parliamentary Secretary to the Housing and Village Development Ministry), and Hj. Abdul Wahab Yunus (Parliamentary Secretary to the Ministry of Finance). PAS Deputy President, Hassan Adli (Minister of Local Government and Federal Territory), did not resign and was expelled from the party by the PAS CEC. The PAS also directed the six PAS Exco members in Kelantan to resign. In Trengganu, initially, PAS continued to support the BN State Government but later PAS State Exco members resigned. See *The Star*, 15 November 1977 and 17 November 1977, and *New Straits Times*, 9 November 1977 and 17 November 1977.

48. The Emergency Powers (Kelantan) Bill, 1977.

49. Hashim Aman was a senior MADS officer who, before the appointment, was Secretary-General of the Ministry of Defence. The State Advisory Council comprised the State Secretary, State Financial Officer, State Legal Adviser, State Director of Lands and Mines, Chief Police Officer, and up to four other officers appointed by the Prime Minister.

50. *The Star*, 9 November 1977.

51. *New Straits Times*, 1 November 1977.

52. *The Star*, 9 November 1977.

53. It is difficult to ascertain the role of the Regent and the Sultan of Kelantan in this beyond speculation. The Regent's indecision might be because of the Sultan's unsuccessful attempts to find an acceptable alternative to the Asri faction.

54. All the PAS Exco members had resigned after the imposition of Central rule.

55. There was a partial BN-Berjasa electoral pact which covered 23 seats. Of these UMNO contested 10, MCA 1, and Berjasa 12 seats against PAS. Of these seats UMNO won 9, MCA 1, Berjasa 11, and PAS 2 seats. There were three-cornered contests (not including Independents) involving UMNO, PAS and Berjasa in 13 seats. UMNO won all 13 seats.

56. Former Menteri Besar Datuk Mohamad Nasir was appointed a Cabinet Minister.

57. The Central Government has substantial powers which could be used to challenge States' power over land, especially in the field of national development.

These powers, for example, under Article 92 of the Constitution, have so far not been used by the Central Government to compel a State to alienate State land for National Development purposes.

58. A somewhat similar exception was also represented by Singapore when it was still in the Federation and then controlled by the People's Action Party (PAP). The PAP's challenge to the Alliance's multi-communal integrative and developmental strategy proved to be more unmanageable and eventually led to what can be termed as the 'divorce by agreement' of Singapore from the Federation in 1965. PAP's Singapore was similar to PAS's Kelantan in that the opposition to the Alliance and UMNO Centre was communally based on the Chinese and Malays respectively. Similarly, the GRM's success in winning control of the State Government of the predominantly Chinese Penang in 1969 posed a threat to the Centre. Unlike Kelantan and Penang, Singapore had more formal and financial powers within the Federation and the PAP could sustain a Singapore-based opposition to the Centre, just like a Parti-Quebecois' opposition to Ottawa. Singapore's belligerent opposition to the Centre could presumably be stopped in its track by the imposition of Central rule through a declaration of Emergency in Singapore by Parliament. However, as long as Singapore remained within the Federation, with its constitutional powers and rights intact, the Singapore problem would remain and could continue to be the base for Opposition parties to argue their respective cases against the Centre. Mutually 'agreed' separation was the option taken to solve the Singapore problem. With Singapore's departure the racial balance, nationally, returned to one of Malay dominance. With the benefit of hindsight, the separation of Singapore from the Federation was contrary to Emerson's belief that communal distribution throughout the country prevents any geographical possibility for separation. See R. Emerson, *Representative Government in South-east Asia*, Cambridge, Mass., Harvard University Press, 1955, p. 91.

59. C. H. Enloe, 'The Neglected Strata: States in the City-Federal Politics of Malaysia', *Publius*, Vol. 5, No. 2, Spring 1975, p. 157.

60. See 'Discussion' in U. K. Hicks, et al., *Federalism and Economic Growth in Underdeveloped Countries*, London, Allen & Unwin Ltd., 1961, p. 65; R. L. Watts, *Multicultural Societies and Federalism*, Studies of the Royal Commission on Bilingualism and Biculturalism, Ottawa, Information Canada, 1971, p. 2; G. P. Means, 'Federalism in Malaya and Malaysia', in R. Serbyn, ed., *Federalisme et nations*, Montreal, Presses de l'Universite du Quebec, 1971, pp. 236-7; and R. M. Dikshit, *The Political Geography of Federalism: An Enquiry into Origins and Stability*, Delhi, Macmillan & Co., 1975, p. 236.

61. Kessler, op. cit., p. 281.

62. Ratnam and Milne, *The Malayan Parliamentary Election of 1964*, pp. 190 and 415.

63. See Means, *Malaysian Politics*, pp. 194-5; Moore, op. cit., pp. 63 and 330. For a discussion of such 'court' politics see J. M. Gullick, *The Indigenous Political Systems of Western Malaya*, London, Athlone Press, 1969.

64. Means, *Malaysian Politics*, p. 21.

65. Ratnam and Milne, *The Malayan Parliamentary Election of 1964*, p. 415 and Chapter IX(a). The position and importance of religious leaders in Kelantan society was sustained by a pattern of social organization within which religion and religious education were emphasized, especially through the *surau* and *pondok* system.

## Conclusion: The Federal Factor

HAROLD LASKI'S insistence over the end of federalism<sup>1</sup> was premature; as it turned out and as Max Beloff indicated, federalism and the federal device were becoming increasingly popular.<sup>2</sup> For Peninsular Malaysia as a whole, the federal device was first used in the establishment of the Federation of Malaya in 1948 and, subsequently, the Independent Federation of Malaya in 1957.

The resort to the federal device may not necessarily be 'logically' suggested by the history of Peninsular Malaysia. Nevertheless, history played its part. Carnell puts it rather strongly:

In Malaya, federalism was as inevitable as in Nigeria. It was the outcome of the British system of ruling through the sultans of protected Malay States, and a response to the problems posed by the survival of nine Malay monarchies. In 1946 the mystique of monarchy was so strong among local British officials and Malay nationalists as to rule out any possibility of the formal apparatus of a unitary state.<sup>3</sup>

Thus, the historical net has to be cast backwards to the Pre-British period precisely because the institutions of the Sultanate in each State—on which British rule was founded—were the heart of the indigenous political system which in turn had its roots in the Malacca Sultanate. As Bedlington argued, 'The pattern of indigenous political culture established by the Malacca Sultanate has thus given an aura of legitimacy to its successors [the nine Malay monarchies] on which to erect a federalized state system rather than one central political authority.'<sup>4</sup>

The impact of history in the various States however was, unsurprisingly, neither unilinear nor even. The consequences of this differential impact were manifested in the establishment of three separate political units—the Unfederated Malay States, Federated Malay States, and Straits Settlement States—covering Peninsular Malaysia, in the different patterns of economic organization and activities, and in the different patterns of social, cultural, and communal developments. Centralization and uniformity of rule and administration were goals pursued by the British but these were not evenly achieved in all States, thus indicating the differing levels

of resistance and resilience of the States' indigenous systems. What emerged were States with dissimilar political and administrative traditions, economic structures and stages of development, and communal composition. In each State the Sultan was and still remains the symbol of authority, if not the focus of loyalty. These then were the legacies upon which the federal device was placed. In that sense the presence of federalism in Peninsular Malaysia may be attributed to the existence of political distinctions bounded by the political role of the Sultans and their States<sup>5</sup> and the powerful loyalties, especially among Malays, attracted by the Sultans and the States.<sup>6</sup> It may also, by extension, be attributed to the different patterns of social, cultural, and communal development in the various States and the differences in their economic activities and levels of economic development.<sup>7</sup> Such territorially-contained diversities do indeed still persist.

The federal device and with this the federal factor—that is, the relations between Centre and States—in Peninsular Malaysia is manifested in four main features: the Constitution, finance, administrative organization, and one-party dominance. The Constitution formally orders the relations between the Centre and States. In this the initial act of choice as to what should be emphasized in this relationship was crucial: the Reid Commission was directed to establish a strong Centre and provide the States only with a 'measure of autonomy'. The Commission's recommendations and the 1957 constitutional provisions placed the Centre in a strong position *vis-à-vis* the States and the Centre ever since has been getting stronger. The States of Peninsular Malaysia were placed constitutionally on an equal footing. This has a double aspect: first, the constitutional provisions relate all States to the Centre in the same way; second, the Constitution insists that the internal constitutional structure of all States must be identical in certain specific and important respects.

The strength of the Centre is overwhelming in the area of finance. The Constitution provided for this by allocating to the Centre almost complete taxing powers. The Constitution also provided the Centre with the responsibility of undertaking and financing national economic development. With its massive financial resources it alone is well placed to face the task. However, the Constitution is silent as to how it should pursue this except by requiring that such development should be in the 'national interest'. Thus, on the informal and extra-constitutional plane, the

Central Government's national economic development planning also shapes the actual organization of Centre-State financial relations. States are financially weak and dependent on the Centre but to different degrees: unevenness characterizes the nature of Centre-State financial relations.

The strength of the Centre is also overwhelming in the administrative sphere. The Constitution again has provided the Centre with substantial powers in this respect. Three points need emphasis. First, there is a qualitative difference between the federalized bureaucracies of States of the former FMS and Straits Settlements, on the one hand, and the non-federalized bureaucracies of the States of the former UMS, on the other. This difference is provided for and protected by the Federal Constitution, thus placing States in this regard on a clearly uneven basis. Second, and consequently, the Centre's administrative penetration of the States (or the States' administrative dependence on the Centre) is uneven. States with non-federalized bureaucracies, as the case of Kedah suggests, are better able to resist such penetration and consequently are less dependent on the Centre. Finally, the Centre's administrative dominance has been further emphasized by its dominant role in national development planning and implementation. All these factors join to define Centre-State administrative relations: these are characterized by the albeit uneven Central administrative dominance over, and penetration of, the States.

One-party (UMNO) dominance at both the Centre and State levels has done much to shape Centre-State relations. UMNO is centrally and tightly organized. Substantial powers are located at the Centre of the party, with Central control and loyalty to the Centre being its *modus operandi*. UMNO dominance thus further centralizes power and strengthens the already strong Centre of the Federation. When one party dominates both the Centre and the State then the internal politics of that party shape Centre-State relations and define the relations of power between the Centre and the State, as discussed in the Pahang case. When, however, different political parties control the Centre and the State then inter-party competition shapes Centre-State relations and defines the relations of power between the Centre and the State, as discussed in the Kelantan case. The former and latter are indeed opposite poles on the axis of 'political distance'. With UMNO's capture of Kelantan in 1978, and apart from Penang, the 'political distance' between the Centre and the State was and is determined



by the nature and demands of UMNO politics. Nevertheless, the 'political distance' is not equal for all States because the tightness of Central control over party members at the State level varies between States. In the case of Pahang, the 'political distance' was closer during rather than after Tun Abdul Razak's time as Deputy Prime Minister and then Prime Minister. Thus, although UMNO's dominance at the Centre and States tightens and centralizes power within the Federation, the 'political distance' between the Centre and each State is not necessarily equal. The Centre's dominance and the unevenness of this characterize Centre-State party relations.

The character of the federal factor is necessarily also influenced by the environment of which it is only a part. This environment has also been shaped by the periods of national emergencies (1948-60 and 1969-71), the national development needs, the patterns of thought and attitude of national political leaders, and communalism. All these may encourage the centralization of power.<sup>8</sup>

The two national emergencies emphasized the security needs of the newly independent Federation. These needs, like those of national development, are national in scope and may well have influenced the national leaders' conception of 'national interests'. What seems clear, however, is their consistent emphasis on the 'national interests', however conceived or conceptualized, and on the Centre's responsibility for their protection. For example, Tun Abdul Razak, then Deputy Prime Minister, expressed this without reservation:

Provincialism or parochialism must give way to national interests to make the country strong and viable. We should not always be thinking in terms of how much the Federal Government can give to the States and vice versa but should rather think and act in terms of how much we all can contribute to the well-being and strength of the nation... For a Federation to succeed it should have a strong system of Central Government entrusted with the necessary powers to develop the country... Malaysia will be sure to succeed if all of us act and think in terms of the whole nation—national interests should come before self or State interests.<sup>9</sup>

This emphasis, if carried to its logical conclusion, may yet prove deleterious to the federal factor in the political structure of Peninsular Malaysia.

Communalism is another important political force in Penin-

sular Malaysia. Communal differences and divisions cut right across State boundaries, although the level of communal concentration varies between States. This, according to Livingston, makes for a plural rather than a federal society.<sup>10</sup> The federal factor then necessarily co-exists, or even competes for priority, with communalism as an ordering framework of society. Many believe that the impact of communalism is towards increasing centralization of power.<sup>11</sup> In this way it tightens the integration of States within the Federation and helps explain its success. Dikshit suggests that

... it is the geographical distribution of the communal elements in the population that have saved the Federation of Malaysia (especially Malaya), because in view of the fact that communal cleavages in the country are almost water-tight, it is easily understandable that had the communities-occupied clearly defined areas of occupance—one separate from the other—a union of any strength could hardly have been born.<sup>12</sup>

In summary, two points about the federal factor in Peninsular Malaysia need emphasis. First, the Centre, which was initially placed in a strong position, has grown even stronger. Second, the impact of the Centre's dominance is uneven among the States.

The tendency is towards the Centre. There seems to be no reason why, despite episodes of States' resistance, this tendency will not be maintained. There may, however, come a time when the continuous accumulation of power at the Centre is either accepted as fact and irrevocable or it may even be viewed as no longer tolerable and thus opposed by States. In both cases adjustments may have to be made and these conceivably may include, for example, changes in Centre-State financial arrangements and even in the Constitution. For the future, militant and fundamentalist Islamic groups, because of their unitary disposition, pose a threat to the federal structure.

1. H. J. Laski, 'The Obsolescence of Federalism', *The New Republic*, Vol. LXXXVIII, No. 1274, 3 May 1939, p. 369.

2. M. Beloff, 'The "Federal Solution" in Its Application to Europe, Asia, and Africa', *Political Studies*, Vol. 1, No. 2, June 1953, p. 114. For a recent study of the federal idea see S. R. Davis, *The Federal Principle: A Journey through Time in Quest of a Meaning*, Berkeley, University of California Press, 1978.

3. F. G. Carnell, 'Political Implications of Federalism in New States', in U. K. Hicks, *et al.*, *Federalism and Economic Growth in Underdeveloped Countries*, London, George Allen & Unwin Ltd., 1961, p. 58.
4. S. S. Bedlington, *Malaysia and Singapore: The Building of New States*, Ithaca, N. Y., Cornell University Press, 1978, p. 28. For a good account of the indigenous political system in Peninsular Malaysia, see J. M. Gullick, *Indigenous Political Systems of Western Malaya*, London, University of London, Athlone Press, 1969.
5. The view of Bedlington. See Bedlington, *op. cit.*, p. 142.
6. The view of Milne. See R. S. Milne, 'Politics and Government', in Wang Gungwu, ed., *Malaysia: A Survey*, London, Pall Mall Press, 1964, p. 324.
7. The view of Pye. See L. W. Pye, 'Federalism in Malaya', in W. S. Livingston, ed., *Federalism in the Commonwealth: A Bibliographical Commentary*, London, The Hansard Society, 1963, p. 159.
8. As Tilman suggested in R. O. Tilman, *In Quest of Unity: The Centralization Theme in Malaysian Federal-State Relations, 1957-1975*, Singapore, Institute of Southeast Asian Studies, Occasional Paper No. 39, May 1976.
9. Quoted in *Straits Times*, 18 August 1964.
10. W. S. Livingston, *Federalism and Constitutional Change*, London, Oxford University Press, 1956, p. 2.
11. For examples, see Carnell, 'Political Implications of Federalism in New States', p. 28; B. Simandjuntak, *Malayan Federalism, 1945-1963*, Kuala Lumpur, Oxford University Press, 1969, pp. 207-8; and Lai Ah Hoon, 'Problems of Federal Finance in Plural Societies: Case Studies of Malaya and Malaysia', Ph.D. thesis, York University, June 1968, pp. 41-3.
12. R. M. Dikshit, *The Political Geography of Federalism: An Enquiry Into Origins and Stability*, India, Macmillan & Co., 1975, p. 137.

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