

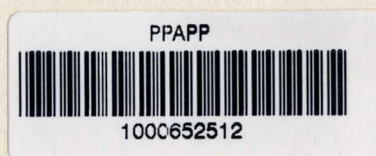
REPORT OF THE PROCEEDINGS
OF THE FIRST LEGISLATIVE
ASSEMBLY, PENANG

I ST SITTING OF THE
FIFTH SESSION FRIDAY
23 RD AUGUST, **1963**

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23RD AUGUST, 1963.



PRESENT:

- The Hon'ble Mr. Speaker (Tuan Haji Sulaiman bin Haji Ahmad, P.J.K.)
" the Chief Minister (Dato Wong Pow Nee, P.M.N.)
" the Legal Adviser (Enche Wan Suleiman bin Pawan Teh)
" the Member for Glugor (Enche Aziz Ibrahim, J.M.N., J.P.)
" the Member for Muda (Tuan Haji Ismail bin Che Chik, A.M.N., J.P.)
" the Member for Butterworth (Dr. M. P. L. Yegappan, J.P.)
" the Member for Dhoby Ghaut (Enche C. D. Ismail, A.M.N.)
" the Member for Ayer Itam (Mr. Chor Sin Kheng, J.P.)
" the Member for Tasek Glugor (Enche Hashim bin Awang, J.P.)
" the Member for Tanjong Bungah (Mr. Cheah Seng Khim, J.P.)
" the Member for Kapala Batas (Tuan Haji Ahmad bin Haji Abdullah, A.M.N.)
" the Member for Nibong Tebal (Tuan Haji Sahid bin Hassah, P.J.K.)
" the Member for Kota (Mr. Lee Kok Liang)
" the Member for Tanjong Tengah (Mr. Wong Choong Woh)
" the Member for Tanjong Utara (Mr. Yuen Fook Cheong)
" the Member for Sungei Pinang (Mr. D. S. Ramanathan, J.P.)
" the Member for Tanjong Selatan (Mr. C. Y. Choy)
" the Member for Kelawei (Mr. Tan Khim Hoe)
" the Member for Jelutong (Mr. Ooi Thiam Siew)
" the Member for Balik Pulau (Tuan Haji Mohamed Hassan bin Haji Kassim)
" the Member for Bayan Lepas (Tuan Haji Rifaie bin Haji Salleh, P.J.K.)
" the Member for Bagan Ajam (Mr. Phee Joo Teik)

ABSENT:

- The Hon'ble the Member for Sungei Bakap (Mr. Kee Yong Chin, J.P.)
" the Member for Permatang Pauh (Enche Ariffin bin Shariff, P.J.K.)
" the Member for Tanjong Barat (Mr. Tan Chong Bee)

The Assembly resumes at
10.00 a.m.

Mr. Speaker: Sa-belum Ahli Yang Berhormat membawa usul ini, saya suka mengingatkan Ahli Yang Berhormat ia-itu hari ini hari Juma'at—hari sembahyang—saya berchadang hendak menang-gohkan Dewan ini pada pukul 12.00 tengah hari.

(C) MOTION BY THE HON'BLE
MR. OOI THIAM SIEW:

Member for Jelutong (Mr. Ooi Thiam Siew): Mr. Speaker, Sir, I would like to move this very important motion standing in my name under 7(C) of the Orders of the Day. It is very important because a wrong decision can ring the death knell of Penang Island, destroy its economic stability and drive the people back into a dark age in so far as their living conditions are concerned. The question of the free port status of Penang Island has become the topic of discussion throughout the Island—in coffee shops, in clubs and associations, between friends and relatives, at meetings of the various Chambers of Commerce and is reflected in newspaper comments and editorials.

The consensus of opinion in all walks of life and of all types of people is that the free port status must be preserved. While we are agreed with this view, it is not because we are being swayed by emotional, selfish interest or for political advantage, but because we are alive to the economic implications involved which are likely to affect adversely the well-being of the people of this Island. It is this knowledge which makes me move this motion, and to state the reasons for my so doing.

Firstly, Government's policy is so confusing that the people do not

understand it at all. At times, the Alliance State Government says it is all in favour of the free port status of Penang; at other times (Interrupted.)

Mr. Speaker: May I take it that every time you refer to the Government, you mean the State Government?

Member for Jelutong (Mr. Ooi Thiam Siew): The State Government. it says it would like to abolish the free port status. Furthermore, there is this difference of opinion and comment between the State Government and the Federal Government. The Minister of Finance, Mr. Tan Siew Sin, says that the choice is left to the people of Penang whereas our Chief Minister says this is a Federal matter. Since then, the Finance Minister has changed his view again. I shall try, if possible, to clear the confusion which exists in the minds not only of the people but also of the Alliance Ministers, and I shall do so by basing my arguments on actual facts and statements made by them.

Does the State Government believe in the free port status of Penang? The answer is definitely "Yes", if we are to believe in the Alliance Manifesto of 1959. I quote the relevant part of the Alliance Party Manifesto during the State Legislative Assembly Elections in 1959. It says under "R — Tourism", Subhead 2, that it is pledged to "maintain the present status of the free port of Penang". This is the Alliance promise to the people. Therefore, it is wrong for our Chief Minister to say that "it was not necessary to go back to the people for a mandate or hold a referendum on the issue". He further said that "when the people elected us they had faith in us", and queried the necessity of going back to the people for everything the State Government intends to

do. Our Chief Minister should realise that when the people voted them into power one of the promises that they made is "to maintain the free port status". Hence, if there is to be any change in their policy, they must refer the matter back to the people. This is real democracy. No party and no Government can impose its will on the people. In so far as abolishing the free port status the Alliance has no mandate from the people. My motion calling for a referendum is, therefore, valid under the circumstances.

It really shocked me when I read in the newspapers yesterday morning that the Dewan Ra'ayat had approved the Tariff Advisory Bill. I feel certain my shock is shared by all the people in Penang Island.

The Finance Minister, Mr. Tan Siew Sin, at the debate in the Dewan Ra'ayat, appealed to the people to look at the issue with cold objectivity and dispassionately. It was his opinion that Penang would be committing economic suicide if it did not join the Common Market. May I reply to the Finance Minister that Penang would really be committing economic suicide if the free port status is not maintained in Penang Island.

Mr. Tan quoted the relevant figures of our entrepot trade for the first quarter of 1962 and compared them with those for the first quarter of 1963. It is really disturbing that, as the Finance Minister, he should know that it is usual to make comparisons not of short periods but of a number of years. By so doing, he would have realised that the entrepot trade is not so bleak as he would like to paint it. He pointed out that the entrepot trade of Penang had declined drastically, but yesterday the Chief Minister's reply to the Hon'ble the Member for Kota disproved this

statement. Mr. Speaker, Sir, may I quote? The entrepot trade for Penang: in 1959 the total is \$230,718,000; in 1960 it is \$342,473,000; in 1961 it is \$322,040,000; in 1962, \$351,590,000. The worst example of hypocrisy is shown by Mr. Geh Chong Keat who, while appealing for the free port status, supported the Bill (Interrupted.)

Mr. Speaker: The word "hypocrisy", I think, is not parliamentary language.

Member for Jelutong (Mr. Ooi Thiam Siew): The worst example of insincerity was shown by Mr. Geh Chong Keat who, while appealing for the free port status, supported the Bill to deprive the Penang citizens of this right. May I advise Mr. Geh, and all Alliance Honourable Members who have the same feelings as Mr. Geh, to forget shedding crocodile tears at the death of the Penang free port status, a crime amounting to murder of our free port status committed by the Federal Government.

We must strongly condemn our Finance Minister for not keeping to his promise to wait until the people of Penang have taken a decision on the free port status. We must also strongly condemn the State Government for not stating clearly the people's stand on this issue. Our Chief Minister must surely be aware that the mandate which the State Government obtained from the people is to maintain the free port status. Hence, he should right from the very beginning speak without question and without hesitation what the people in Penang feel on the free port status. In this, the Straits Echo editorial to-day described the Alliance Federal Government's action, in moving the Tariff Bill, as a "breach of promise". The people in Penang, I

feel sure, share this view. Perhaps the Alliance Governments, both at Federal and State levels, are confused; and, having a confused mind, the Finance Minister, Mr. Tan Siew Sin, is not able to view the issue with cold objectivity and dispassionately as he himself would like to express it. If, as he said, it would be suicide not to join the Common Market, I in turn would say that this is economic murder committed by the Federal Government of the free port status, thereby putting all the people in Penang Island in deep mourning over this issue. I would therefore appeal to my Honourable friends on the opposite side to ponder carefully over what I have said and to give their wholehearted support to my motion, and with one united voice to keep on protesting until we are heard.

It is now my intention to comment on the free port status of Penang Island. Will our entry into the Malaysian Common Market bring in concrete benefits to the people of this Island? The reply is "No". We can only benefit if our Island is extended the right by our Federal Government of making us highly industrialised at a very rapid rate of industrialisation. Even if we are so privileged, land in Penang Island is too scarce to have enough industries to offset the economic disadvantages of losing our free port status. Besides this, the Alliance Government has no plans at all for industries to be established on Penang Island. This is admitted by the Hon'ble the Chief Minister in his further reply to the Hon'ble Member for Kota—in his own words: "There is no immediate scheme for Penang Island", when he talks of industrialisation; and he adds "The State Government has no State land available for factory sites on Penang Island". The only industrial site that our Government ever

thinks about is at Mak Mandin near Permatang Pauh in Province Wellesley and, since the Mainland is already outside the free port limit, any industrialisation there will not materially benefit the people in Penang Island. Even the planning of the industrial site at Mak Mandin is so haphazard that we are wondering whether any economic progress can be made regarding industrial re-development for the State.

The supporters of the Malaysian Common Market may make comparison between Penang Island and Singapore and come to the conclusion that, since Singapore can possibly lose its free port status without any economic disadvantage, why then not Penang Island? To those who make comparisons between Singapore and Penang Island, I would say that the economies of these two territories are not the same. This view is shared by the Straits Times which, in its editorial, states:—

"After 175 years of free port status, the prospect of change is bound to give rise to uncertainty. It is not enough to point to Singapore's enthusiasm for the common market despite its equally long tradition of free trade. True, the two islands share a common history of entrepot port development."

This is important:

"It does not follow that the same economic future lies ahead for both."

Furthermore, the Federal Government is concentrating its industrialisation programme in Selangor and in opening up the more under-developed territories of Malaya which are centred in the East Coast. With such planning by the Federal Government, and in the event of our joining the Malaysian Common Market, there is no doubt that the people living in this Island will suffer from economic depres-

sion and an inflated cost of living. Even the Rueff Commission did say of Penang: there is less scope for industrialisation in Penang than in Singapore and, therefore, less opportunity for absorbing any redundant labour in new industries.

There is one factor which we must not forget when we compare Singapore with Penang. After merger Singapore will continue to retain its free port status for 12 years, until December 31st, 1975, whilst remaining in the Malaysian Common Market. Thus Singapore will be able to benefit from the gradual implementation of the Malaysian Common Market over 12 years and, at the same time, enjoy the free port facilities necessary for its entrepot trade. With the present rapid industrialisation going on in Singapore, the opportunity to adjust Singapore economically is therefore practicable and sound. Here in Penang, as I said earlier on, unless the Island is highly industrialised, it is suicidal for us to lose our free port status. The Federal Government has not the money, and the State Government has not the land, for such an industrialisation programme. Even the Rueff Report recommends rapid industrialisation as an essential means of augmenting Malaysia's prosperity; and since Penang Island, for practical reasons, is unable to do so then the alternative must be to accept the recommendation for measures to preserve the entrepot trade of Penang.

This brings me to my third point. What are the industries that can make Penang Island economically sound? I can only think of two. These are: the increase of our entrepot trade in connection with our free port status; and the other, the encouragement of tourism.

The entrepot trade is not something new. We have been engaged in the barter trade with our neighbouring countries like Indonesia, Thailand and Burma. Commodities such as cotton piece goods, synthetic textiles, medicines, bicycles, etc., will continue to be imported into Penang Island in larger quantities than are required by the residents of the Island for the purpose of re-export to neighbouring countries on barter. Rubber can continue to come from Indonesia and Thailand for re-export to consumer countries after re-grading, processing and milling. This will ensure that workers in rubber factories are not thrown out of employment and, as better port facilities are provided, the entrepot trade will expand.

The tourist industry is considered by the Hon'ble Member for Tanjong Bungah as an untapped gold mine. I would not go to that extent to describe this industry, but it is certainly true that the tourist industry needs every encouragement in order to bring in the much-needed dollars for the economic stability of Penang Island. Such encouragement can only be given by preserving the free port status of Penang Island. Penang Island itself is no doubt an attraction in that Nature has bestowed on her lovely beaches, beautiful scenery, etc., which are comparable to, if not better than, the countries which are reaping a rich harvest from tourism. To attract tourists to Penang publicity is necessary, but, after publicity, if we do not give tourists other benefits they may not be encouraged to come again or to spread to their friends and fellow-countrymen information of what we can offer. By preserving our free port status we shall have that necessary attraction for tourists to return to these shores. It is no secret at all that Malaysians from other States are coming in large numbers to visit

Penang Island in the hope that they can buy duty-free goods to take back with them. They feel that the money thus saved on duty has paid for their trip to Penang. Although it may be argued that the Federal Government loses a few million dollars in revenue, the advantages are nevertheless immeasurable. For this reason people from other States cannot say that Penangites are privileged, because if it were not for the free port status of Penang many of them might not have visited this fair Island.

Even the business people in Penang Island would be hard pressed for the payment of duty on consumer goods the moment they arrived in Penang. There may be one or two disadvantages, but I feel that these disadvantages concern administration which any efficient Government must endeavour to tackle and overcome. The possible disadvantage that I can think of is smuggling and Customs delays between the free port of Penang Island and the Mainland.

Before I move the motion, there is one other piece of information I would like to give to this Assembly, and that is the fact that Penang Island is not the only free port area in the Federation of Malaya. The people in Sungei Lembing, Pahang, enjoy the same, if not more, free port facilities. They pay no duty, not only on goods we import duty-free but also on such commodities as tobacco and alcohol. That is the only area in the Federation where everything can truly be termed to be duty-free.

Having given this information, Mr. Speaker, Sir, I now move —

“In view of the imminent formation of the Federation of Malaysia and the serious implications it will have on this State regarding the well-being of the island, especially with

reference to its status as a free port, and as these are matters of great concern to this Assembly and the people of Penang, this House thereby resolves that the State Government should call for a referendum from the people of the Island in order to ascertain their wishes with a view to presenting a case to the Federal Government, in accordance with the provisions contained in Part VI of the Federal Constitution, for the preservation or otherwise of the free port status of Penang Island insofar as this will be for the well-being of the people of this Island.”

Member for Tanjong Utara (Mr. Yuen Fook Cheong): Mr. Speaker, Sir, I rise to speak in support of the motion. In so doing, I realise that the question of the free port of Penang is out of the jurisdiction of this Assembly, but as it is a matter which is of vital and grave concern to all the inhabitants of this Island I find I will be failing in my duties if I do not voice their feelings.

The question of the free port of Penang has been the topic of the day, and everywhere we go we find people discussing about it. The decisions of the various Chambers of Commerce and other trade bodies, as appeared in the Press of late, have spoken overwhelmingly in support of preserving the free port status of Penang. My colleague, the Hon'ble the Member for Jelutong, has spoken at great length on why the free port of Penang should be preserved, and I do not intend to cover the same grounds except to say that I am taken aback when I read one of the answers given by the Hon'ble the Chief Minister to a question asked as to whether it is the intention of the State Government that the Island should retain its present status as a free port. The Chief Minister replied that “the question of the future of the free port status of Penang Island has been

decided by the Federation Government which is the competent authority to make decisions on such Federal matters. The views of the State Government are therefore uncalled for and irrelevant for the purposes of this Assembly”. Is it suggested, then, that the Federation Government is to ride roughshod over the wishes of the people? Is the State Government going to fall back on their promise to preserve the free port status of Penang, on which mandate they were elected? We cannot call it a privilege that Penang is enjoying its free port status. It has been our right, and the Federation Government cannot just remove this right until and unless they have industrialised the Island to a stage where it can provide employment for the people. As I see it, I do not think the Government has any industrialisation programme in hand in the Island. Even the Mak Mandin Industrial Estate, which is three years old to-day, has not even a factory in operation, and is being handled in such a haphazard and laissez-faire attitude that I wonder if there is at all a programme to industrialise in the island of Penang. It will be very many years before it becomes a reality. The State Government's stand has been that they accepted the free port status of Penang as our right. This is reflected in an answer given by the Hon'ble the Chief Minister to a question raised by the Hon'ble Member for Kota during the Assembly Meeting held on 9th August, 1961 in which he said—may I quote, Mr. Speaker? —“that it has been the policy of the State Government since 1953 or, shall I say, 1955, or even when the Alliance Government came into power again in 1959, we always appealed to the Federal Government to consider very seriously the question of the free port of Penang”. Why, then, does the State Government deviate from its stand, and say now that the

views of the State Government are uncalled for, and any referendum on such matters, whatever the result may be, will serve the State no useful purpose? I would therefore urge Members on the other side to stand up on their convictions and vote with us on the motion. I must finally remind them, before I sit down, that they were elected on this mandate to preserve the free port status of Penang Island.

Member for Jelutong (Mr. Ooi Thiam Siew): Mr. Speaker, Sir, on a point of information—may I ask the Chief Minister whether it is the intention of this House that both our Party Whips withdraw the “whip” and give all Assemblymen a free vote?

Mr. Speaker: I cannot direct that.

Member for Jelutong (Mr. Ooi Thiam Siew): May I seek a free vote on this issue? We on our side will give a free vote.

Chief Minister: Mr. Speaker, Sir, the decision on this issue has already been made.

Member for Tanjong Selatan (Mr. C. Y. Choy): Mr. Speaker, Sir, in supporting the motion moved by the Hon'ble Member for Jelutong, I say that the State Government has indeed no mandate to take away the free port status. . . . (Interrupted.)

Mr. Speaker: I would like to make one point clear. If anybody wants to speak, do not say so much against the Minister of Finance because the Hon'ble Minister cannot be here to answer all these attacks on him. It is very undemocratic if I allow the Minister of Finance to be attacked when he is not here to reply. Please go on.

Member for Tanjong Selatan (Mr. C. Y. Choy): As I mentioned just now, Sir, the State Government has indeed no mandate to take away the free port status enjoyed by the people in Penang Island.

Chief Minister: Mr. Speaker, Sir, on a point of clarification — the State Government *did not* take away the free port status of Penang. It has no authority to do such things at all: this is a Federal matter.

Member for Tanjong Selatan (Mr. C. Y. Choy): Because the decision would be taken by this Assembly on this question of the free port status... (Interrupted.)

Chief Minister: On a point of clarification, Sir, the motion is concerned with a referendum, in order to submit the views of the people; not the position of the free port status.

Member for Tanjong Selatan (Mr. C. Y. Choy): Thank you.

Regarding the question of free port for the Island of Penang, I have to refer the State Government to its Manifesto in the 1955 Parliamentary Elections. The then Minister of Finance, not the present Minister, at a public rally in Dato Kramat on the 6th July.... (Interrupted.)

Mr. Speaker: Which Minister of Finance? There were so many.

Member for Tanjong Selatan (Mr. C. Y. Choy): Tun Lee Hau Shik, Sir. He was reported to have said that, should the Alliance be voted into power, Penang would remain a free port. The State Manifesto of the Alliance Government for 1959 repeated this promise. If the Alliance now wants otherwise then it must obtain a mandate by way of a referendum or make the free port status an

election issue for 1964. This is true democracy.

We are fully aware of the feelings of the people in Penang Island. They want free port status. Should there be a referendum there is no question as to the result. The people will vote overwhelmingly for it. If not a referendum.... (Interrupted.)

Mr. Speaker: There is one more point I want to make clear. When you say "State of Penang" it includes Province Wellesley. Province Wellesley people are not enjoying the free port status.

Member for Tanjong Selatan (Mr. C. Y. Choy): Sir, I am referring to Penang Island, and not the State of Penang. As I said, Sir, if a referendum is taken in the Island of Penang, I am convinced that the State Government will receive such a shock that it will never recover from this, Sir.

And, Sir, I am rather amused when I read the decision of the former Settlement Council held on 5th December, 1956, when the motion of Mr. Koh Sin Hock, pleading for Penang Island to retain its free port status, was debated. While the supporters of the motion were able to defend the free port status by very convincing arguments, and also were able to produce facts and figures on the economic aspect, to refute that Penangites were favourably treated, the Alliance Settlement Councilors made very feeble attempts to support even their own amendment—to the effect that the State Government should be consulted—without committing themselves one way or another. While Mr. Koh Sin Hock was supported by practically every member in the Council, who were not under the Whip of the Alliance, in reasoning the case of the free port status, our Hon'ble Chief Minister, the then

Hon'ble Member for Bukit Mertajam, in moving an amendment which was non-committal, was also supported by the then Hon'ble Member for Tanjong West (the Hon'ble Mr. A. M. Abu Bakar) while taking part in the debate. The Alliance bigwigs then, although quite a formidable group at the time, kept silent. The then Alliance Bigwigs included Dr. Lim Chong Eu, Dr. N. K. Menon, Enche Aziz Ibrahim, Mr. Cheah Seng Khim, Mr. O. L. Phipps, Enche Nyak Hashim bin Nyak Puteh, Enche S. M. Hussain, Mr. Wee Tiong Ghee and Mr. M. L. Samuel. Perhaps they believe that "silence is golden", because they knew fully well that their conscience could not direct them to speak for the amendment. So, when the amendment of the then Hon'ble Member for Bukit Mertajam was put to the vote... (Interrupted.)

Mr. Speaker: I was also an Honourable Member then, and I also did not speak.

Member for Tanjong Selatan (Mr. C. Y. Choy): Out of courtesy I would not like to mention the Hon'ble Mr. Speaker.

Mr. Speaker: Thank you.

Member for Tanjong Selatan (Mr. C. Y. Choy): So, when the amendment of the then Hon'ble Member for Bukit Mertajam was put to the vote, the lifting of their hands was more mechanical than their sincere belief for the amendment.

Mr. Speaker, Sir, it is not my intention to go through all the reasons put forth so well by Mr. Koh Sin Hock and his supporters, but suffice for me to say that they spoke convincingly that the entire economic history of Penang, in fact the fundamental sources of Penang's wealth, has been based on the fact that Penang has been

the port serving the northern section of South-East Asian countries, and that the entrepot nature of our trade has been the chief factor of our economic life.

Since the State Government is committed to the *status quo* of free port status, any about-face at the present juncture by the State Government would be regarded—in the words of Mr. Koh Sin Hock, with which I heartily concur—as a "breach of faith", and therefore the State Government must be told clearly that its pledge to the people must be honoured. Hence, Sir, I strongly support the motion moved by the Hon'ble Member for Jelutong.

Thank you.

Member for Tanjong Bungah (Mr. Cheah Seng Khim): Mr. Speaker, Sir, I rise to contradict the statement made by the Hon'ble Member for Jelutong that Mr. Geh Chong Keat is not sincere. I wish to say that he is as sincere as the Hon'ble Member as regards the free port of Penang. Secondly, I also wish to point out that the Hon'ble the Minister of Finance has agreed to consult the representative sections in Penang before the free port status is abolished. In addition, I wish to point out that a debate will be held on this matter in the Senate on the coming Monday and, as I have something to say at that meeting, I will not say anything further to-day.

Member for Glugor (Enche Aziz Ibrahim): Mr. Speaker, Sir, and Honourable Members, I rise to say a few words on this very important debate. May I speak.... (Pause.) Excuse me, I will speak after the Hon'ble the Chief Minister.

Member for Jelutong (Mr. Ooi Thiam Siew): He has already made a speech.

Mr. Speaker: He has not finished it. He will have a right to ask whether he can finish it later on.

Member for Kota (Mr. Lee Kok Liang): Mr. Speaker, Sir, in other debates I usually wait for our Dato Wong to speak first, hoping... (Interrupted.)

Mr. Speaker: I would like to inform Hon'ble Members that, today being Friday, we are adjourning this Assembly at 12 o'clock for prayers.

Member for Kota (Mr. Lee Kok Liang): Oh, I won't be long. As I said before, Mr. Speaker, Sir, in most debates I usually wait for Dato Wong to make a speech first so that I would know what points he was making. But in to-day's debate I came with a mind that I must speak first so that Dato Wong, as the representative of the State Government, would have all the points of the Opposition placed before him before he makes any reply.

It is not a debating motion; it is a very crucial motion that affects not only the shirt you wear, not only the shoes you put on, and not only the singlet you buy; but it affects... (Interrupted.)

Mr. Speaker: Also the books you carry.

Chief Minister: Also the smugglers.

Member for Kota (Mr. Lee Kok Liang): I do not know about books; maybe paper. But it affects to a great extent, Mr. Speaker, Sir, two categories of persons. The first is the trading circles, and the second is the lower middle-class group and the lower-class group, because it has been stated categorically by the God of Finance or the Minister of Finance, I do not know — but by a person in the House of Parliament — that they have worked out that \$7,000,000 would be added to the pockets of the purchasers or the inhabitants in Penang.... (Interrupted.)

Chief Minister: On a point of order, are we debating on the free port status, which is a Federal matter?

Member for Kota (Mr. Lee Kok Liang): I am debating the Motion to say why a referendum should be called — because it affects the pockets of every one. If it does not affect the pockets of every one I would not call for a referendum.

Chief Minister: Mr. Speaker, Sir, I have doubt that the State Authority has any power to call a referendum on Federal matters.

Mr. Speaker: There will be time for the Chief Minister to oppose.

Member for Kota (Mr. Lee Kok Liang): I have my turn to speak. I may say foolish things; I may speak stupid things; I may speak things that are not worth considering in the opinion of the Honourable Chief Minister. But surely in procedure here he has the time and the right to say things after me. That is why I stood up to say things first, instead of allowing him to say.... (interrupted.)

Chief Minister: Mr. Speaker, Sir, I am not opposing what is being said. I am asking, on a point of order, whether it is proper to debate on Federal matters in this House.

Member for Kota (Mr. Lee Kok Liang): It is proper to debate on matters that concern the affairs of the State in this House; and it is proper to debate on the welfare of the inhabitants of this State in this House. We have talked about unemployment. Unemployment is a Federal matter. Labour is a Federal matter; but we talked about it.... (interrupted.)

Mr. Speaker: But the question before us, if you go back to the Motion, is merely this Motion to

ask for a referendum of the people to be presented to the Federal Government.

Member for Kota (Mr. Lee Kok Liang): Yes.

Mr. Speaker: Well, I think the other questions, if you want to include them in this Motion, will be out of order.

Member for Kota (Mr. Lee Kok Liang): I have not included anything which is saying that the Motion itself mentioned the question of free port; isn't it? But we must know what is a free port. Surely I am not going to talk nonsense. I must define what 'free port' is before I can talk. And what is the status of the free port? What is the proposal that the free port status should be taken away? I am not going into the details of challenging the Common Market Report, or even contradicting the experts, or even saying where the experts are wrong, or whether we should engage more experts to counter the experts. The State Government has not employed any experts at all. But what I do is to define what 'free port' is—yes; no. He was talking what 'free port' is—what it means to us. I am just only talking on these points without going into the details of tariff or even of the Tariff Advisory Board. This is part and parcel of the Common Market. But what I am saying is that it affects greatly the lower-income group, and that we must realize here in this Assembly that it has been stated that \$7 million will be added to the pockets of the inhabitants of Penang Island. What I would like to know is whether the Chief Minister can assure us that there would be \$7 million coming in to counter-effect the loss of \$7 million that is calculated. It may be more. But surely, if some other person or some other body says that we are going to lose \$7 million, we just cannot sit quiet.

We must know whether the State Government has in fact a planned programme to counter-effect the loss of \$7 million. That is the first point. This is merely introductory. But I would like, before going into the gist of the matter, to quote a statement from the then Chief Minister, who is now also the Chief Minister, which appeared in a Straits Echo report on May 27th, 1959, at page 3. The report is captioned under the heading "A hill road and national park to boost tourism." I quote a passage —

"One of the most important points to bear in mind to attract tourists to Penang is to protect the free port status of the island", said Dato Wong. "The present State Government's policy is to see that the free port status is preserved."

Starting with this statement, let us look whether the State Government is aware of the importance of the free port. In my very short research there are four comments, three from the Gracious Address of His Excellency the Governor, which touch upon free port in Penang. The first statement in the Address of His Excellency the Governor was at the First Sitting of the First Session, 11th of July, 1959, His Excellency the Governor stated —

"Before I close I should like to mention the question of the port of Penang, and to say that the Government will not deviate from its policy to participate directly in the development of the port and its facilities, and to maintain its status as a free port as the principal gateway to Malaya."

The second reference is... (interrupted.)

Mr. Speaker: Don't you think you have to ask permission when you want to read that?

Member for Kota (Mr. Lee Kok Liang): Yes. May I have permission?

Mr. Speaker: Yes.

Member for Kota (Mr. Lee Kok Liang): The second reference made by His Excellency was contained in his Address at the First Sitting of the Second Session. On the Port of Penang it says —

"Being a port, Penang's urban economy is dependent to a large extent on trade. For the first 5 months of 1960 our total foreign trade amounted to \$475 million, which recorded an increase of \$227 million over the corresponding period of last year. In 1959 approximately 40% of the total value of the Federation trade was handled at Penang, but in the first 5 months of this year 53.7% of the total trade of the Federation passed through our port. The sound position that we are in is because Penang is able to provide facilities and services at competitive rates. As long as Penang can offer her neighbours the services at such competitive rates she will have more of the raw materials sent here for extraction, refining, processing, grading and smelting, and thereby continue to enjoy the booming entrepot economy. It was only recently reported that Indonesia, for the first time, is beginning to send her tin to Penang for re-export."

And the third reference was made by His Excellency the Governor at the First Sitting of the Third Session:

"Ever since its founding in 1784, Penang's importance lay in its natural harbour and the port facilities it could offer for the promotion of trade. As the premier and only free port of the Federation, the trade of Penang plays a significant role in the economic progress of the State and the country."

In my questions addressed to the Hon'ble the Chief Minister at the Third Sitting of the Second Session, where I asked, Mr. Speaker, Sir, the Chief Minister at that

time when I myself had a premonition that something of this nature would happen unless we made our stand very clear—I asked the Chief Minister at the Third Sitting of the Second Session with regard to bonded areas in Penang Island. I asked the Hon'ble the Chief Minister—that is, as far back as 29th March, 1961—"Has the State Government considered a restricted area for free port status in the Island of Penang, or has it not considered that?" The Chief Minister replied: "Sir, my answer to the question clearly stated that it is the intention of the State Government that the Island should remain in its present status as a free port—the Island, not a part of the Island". My question is phrased in a different manner in the same Session: "Precisely what policy or plan, if any, has the State Government in hand with regard to the free port status and trade facilities of this Island to best secure the economic interests of this State in healthy competition with the growth of Port Swettenham?" The Chief Minister replied again: "It is the intention of the State Government that the Island should remain in its present status as a free port".

In other words, from the quotations I have made which came out from the proceedings of this Assembly, there is more than ample evidence to show that the free port status is of vital importance to the economy of our State, and that attention has been paid to this free port status and, in fact, the Government to-day, sitting on its benches, got elected on a mandate which includes the preservation of free port status. This brings to my mind that, however little or however helpless the State Government feels in its present position, however much it wants to do, due to party politics its hands are tied. I think it should convey to the proper quarters that, firstly, the Go-

vernment in Penang was elected on a mandate which includes the preservation of free port status; secondly, the Government in Penang has addressed itself to the task of preserving free port status; and, thirdly, that the Government in answer to questions in this Assembly has made it clear that it dedicates itself to free port status. We are not going to take anything lying down that goes against the wishes of the people and the promises to the people, because I myself personally have given the Government a chance as far back as 1961, at the Third Sitting. I asked them whether they were going to change the free port status and have bonded warehouses. But the Government refused even to think about this, and started to say that they still want to retain free port status. Comparisons have been made. I think the Government could also tell the people what would happen if the free port status is not maintained. Be fair to the public of Penang; be fair to its own electorates in Penang Island. Instead of free port, I believe that we are going to have a sort of common market on a basis that may be gradual. But the point the Government has got to press—and I am giving the reasons for pressing this point—is to ask the proper quarters why is it that our free port status in Penang Island should be precisely converted or abandoned at this juncture. Why not two years ago? Why not three years ago? Why at this juncture? Does it mean that we are going to get more trade from Sarawak or Borneo? Does it mean that industrialists from Borneo or Sarawak, or even Singapore, would be interested in setting up business in Penang Island? Does it mean that; or is it because of the insistence of the Government of Singapore that Penang should lose its free port status? There must be a reason behind it on this point. I think

my colleague will read parts from the Report of the Common Market —(Turning to the Member for Sungei Pinang): Would you? Or shall I do it? — on Penang Island; and the Report has been quoted to some extent by the mover of this motion. The point is: we should bear in mind that experts themselves are good in their own fields; but experts are likely to go wrong. We must know that in Penang Island it is a very hilly sort of place. There are no flat lands as in Singapore. There are no skilled labour pools as in Singapore. In fact, there is one vital link that is missing: there is no causeway linking this Island to Province Wellesley—the umbilical cord, in other words, for the flow of trade and industry. Every business man would know—and I am sure the Member for Tasek Glugor would agree with me—that communication in trade and industry is very important in a competitive field. Transport problems are very great in Penang Island in the sense that it costs more to ship the same type of goods than if you were to transport it from Province Wellesley. For many goods it costs at least forty to fifty cents per picul more for transport charges. And I do not see how industry can be attracted to this Island unless the financial geniuses in the proper quarters are willing to construct for us a causeway as the first conciliatory move to our inhabitants in Penang Island — a causeway that can take in lorries, that can take trains, so that the industrialists, the manufacturers and even the agricultural farmers and fishermen can benefit from the ease in transport and the lower fees in transport because, after all, "common market" means: "You join us so that you can sell your produce, you can sell your goods to us. If you don't join us we are going to put up a very high tariff barrier. For instance, a coconut: If you do not join us, if you bring in one

coconut which is 5 cents we are going to put a tax of 2½ cents on it, so that when it gets to, say, Butterworth no one wants to buy a coconut for 7½ cents when they can get it for 6 cents". But are we sure that we are selling so many things to the Federation for us to lose our free port status? Are we sure of that — that we can recover back at least \$7,000,000 this year, and progressively, as the population of Penang Island increases, more millions to counter-effect the loss of that to the people? This is one of the points I would like to make. In fact, I would like also to stress that our State Government could approach the Federation Government on these vital issues, and get a sense of direction from the Federation Government as to the economy, or the structure of economy, of Penang Island it envisages for the future. We cannot be a second Singapore. Don't ever dream of becoming a second Singapore; and don't ever be bamboozled by anyone that we could become a second Singapore. But what we could become, and what we may be heading towards, is a sleepy hollow; and the best thing for us all to do is to become Rip Van Winkles—sleep for the next hundred years and then wake up. That is the prospect that may face the Island.

I therefore take pleasure, in view of what I have stated, in supporting the motion that a referendum should be held so that the proper quarters would know how urgently the people of this Island feel about it. Thank you.

Chief Minister: Mr. Speaker, Sir, for the information of Hon'ble Members, in order to correct the half-truths or untrue statements given by the Member for Jelutong with regard to Sungei Lembing, Pahang — the population of this area does not enjoy tax-free goods;

only the employees of the Pahang Consolidated Company. This is in accordance with the terms of a land lease given by the State of Pahang to the Company in 1899. It is understood that this lease may expire soon.

Sir, if responsible and sincere citizens who have a real interest for our country have made a careful and intelligent study of our Constitution they ought not to be confused with the powers vested in the Federal Government and the State Government. The legislative powers necessary to bring Penang Island into the Malaysian Common Market, which will affect its free port status and eventually bring about the complete loss of this status, are powers contained wholly within the Federal List set out in the Ninth Schedule to the Federation of Malaya Constitution. Prior to the exercise of such powers the Federal Government, in conjunction with the Singapore Government, invited the World Bank to appoint a mission to examine and report on the economic aspects of Malaysia. The report of this mission, popularly known as the Rueff Report, was published in July this year.

In the light of the Rueff Report, the Federation and Singapore Governments reached an agreement which is set out in Annexure 'J' of the Malaysia Agreement which was published as Command Paper No. 27 of 1963, of the Federation of Malaya, whereby it was agreed that a Common Market should be established progressively in Malaysia for all goods or products produced, manufactured or assembled in significant quantities in Malaysia, with the exception of goods and products of which the principal terminal markets lie outside Malaysia.

This Common Market will embrace Penang Island and will

therefore affect the free port status of Penang Island.

The Federal Government is fully aware of the impact of the agreement upon the State Government of Penang, the business community here; and also of the effects this momentous decision will have on the inhabitants of Penang Island. This awareness is clearly indicated in the speech by the Hon'ble the Minister of Finance, Mr. Tan Siew Sin, when moving the Second Reading in Parliament of the Tariff Advisory Board Act, 1963, on 21st August, 1963. (Interrupted.)

Member for Jelutong (Mr. Ooi Thiam Siew): Mr. Speaker, Sir, on a point of clarification—we are not wanting the views of the Federal Government; what we want are the views of our own State Government on this question of (Interrupted.)

Chief Minister: Mr. Speaker, Sir, in order to introduce our views, I have got to introduce the views of the Federal Government, too.

Mr. Speaker: In order to get the referendum, the free port must be mentioned.

Chief Minister: Thank you.

Again, Sir, according to the Minister of Finance, it would be the policy of the Federal Government to take all measures necessary for the preservation of the entrepot trade, particularly in Penang and Singapore, and that consideration would also be given to the creation of a free port zone, both in Singapore and in Penang, and the provision of bonded warehouses and other Customs facilities necessary to ensure the continuance of entrepot trade in these two States.

Furthermore, Sir, the Common Market would exclude goods and products whose principal terminal markets lie outside Malaysia. This will mean that the entrepot trade in certain primary products, including rubber, will continue in Penang and Singapore on the same basis as at present.

Mr. Speaker, Sir, I would like to refer in particular to that portion of the Hon'ble the Finance Minister's speech in which he gave his assurance that he would consult the State Government and the business community before implementing the progressive inclusion of Penang Island into the Malaysian Common Market. The State Government would add its assurance that it will not only take full advantages of this opportunity to present its views to the Federal Government, but will welcome the views of the trade community, public bodies and individuals for the purpose of transmission to the Federal Government. This mode of presenting the views of the citizens of Penang Island will therefore achieve the very purpose which the proposed referendum seeks to achieve, and yet avoid the large expenditure of public time and money which any properly conducted referendum must entail.

Sir, in case there is any misapprehension which has arisen in the mind of the Honourable Members on the other side of this House regarding what the State Government had said to the Press on prior occasions, I would like to refer to the very text of the relevant statements. I feel this need to clarify is all the more important since Mr. Geh Chong Keat, Member of Parliament, is reported to have said in the Dewan Ra'ayat, in the debate on the Tariff Advisory Bill, the following words:—

"The Minister of Finance had expressed that, whilst the Federation Government has the authority to impose its decision (i.e. the extension of the Principal Customs Area to cover the whole Island of Penang), it has chosen not to do so and left problem for the people of Penang to decide.

The moments of joy were dashed by the counter-statement of the Chief Minister of Penang. Such contradictions naturally caused a certain alarm."

This statement appeared in the Straits Echo of 22nd August, 1963. Mr. Speaker, Sir, what I did say is accurately reported in the July 17th issue of the Straits Times, and it was said not as a counter-statement but in the full knowledge that since, as the Hon'ble the Minister of Finance had earlier stated the Federal Government had the power and authority to impose its decision and since the Federal Government had by entering into the Malaysia Agreement on 9th July, 1963, committed itself to bringing Penang within the Common Market, the most that we could hope for was to soften the blow which would inevitably fall.

My worst fears have been justified, and we now find ourselves in a position where the Federal Government, being committed in principle to include Penang in the Common Market, can only offer us the consolation that the State and the business community will be consulted before the actual implementation of the various stages in which Penang will be gradually brought into the Malaysian Common Market.

With the passing of the Tariff Advisory Board Act, 1963, by Parliament, the inclusion of Penang in the Malaysian Common Market

becomes an accomplished fact. Therefore, I am satisfied that a referendum on Penang Island for the purpose of ascertaining the wishes of its inhabitants regarding the free port issue will serve no useful purpose. This prompts me to invite the Honourable mover of this motion to withdraw it because nothing the State Government can do, even if it is so inclined, which is not the case, and nothing the Opposition might do, will alter this fact.

Member for Kota (Mr. Lee Kok Liang): There are no gods above us?

Chief Minister: Mr. Speaker, Sir, with regard to the remarks made by the Hon'ble Member for Jelutong regarding the 12 years' delay in Singapore, I would invite the Legal Adviser to clarify this point.

Sir, I beg to oppose the motion.

Legal Adviser: Mr. Speaker, Sir, I feel that the Hon'ble the Member for Jelutong has been a bit hasty in concluding—I take it by a quick reading of this Agreement between the Governments of the Federation of Malaya and Singapore on Common Market and Financial Arrangements—that Singapore will be given some special advantage over and above what will be accorded to Penang. I do agree that this document, the Malaysia Agreement, was drawn up by lawyers and economists in the joint language of lawyers and economists; therefore, this joint product is a bit difficult to understand without the benefit of careful analysis. Since I heard the very surprising statement about special privileges being given to Singapore, I have endeavoured to understand the language of the agreement. I would invite the Hon'ble Member for Jelutong to read with care the definitions of

protective duties and revenue duties defined in clauses 3 and 4 of the Agreement—I do not propose to go into details over these definitions—and then, after he has read clause 3 with great care, I would invite him to read the whole of the various sub-clauses of clause 4. Then the Hon'ble Member will see that this reference to the 31st December, 1975 is a reference to the imposition of revenue duties, which is given a special definition for the purpose of this Agreement, and that this reference is a reference to revenue duties which the Malaysian Government would in due course, in gradual stages, be imposing on Singapore when Singapore comes within Malaysia; and that the whole purpose of allowing this delay in two stages—the delay of the imposition of revenue duty—is to enable Singapore to withhold its consent in exceptional cases. In those exceptional cases—if the Hon'ble Member will look at clause 4, sub-clause (3)—such consent shall not be withheld, and Singapore shall not withhold such consent, except on the grounds that the duty would significantly prejudice the entrepot trade of Singapore. Again, in clause 4, sub-clause (4), with regard to Singapore withholding the consent in respect of certain revenue duties, the grounds are again repeated—the grounds being that they would significantly prejudice the entrepot trade.

As the Hon'ble Member would know by now, the entrepot trade, both in Penang and Singapore, are being preserved in this Agreement, and the entrepot trade, in so far as Penang is concerned, is supposed to be 70% of all the trade of Penang Island. And then, in addition to allowing the limited chance of delaying the imposition of certain—only certain—revenue duties, the Singapore Government (clause 4 (4)) provides that the Singapore Government shall pay to the

Federal Government annually compensation equal to the loss of revenue suffered by the Federal Government as a result of the withholding of the consent. So this is a limited right to withhold consent to the imposition of certain duties. We hope that in the consultations which will eventually be held for the implementation by gradual stages of the Common Market, such concessions will also be given to Penang. It is still possible.

Member for Jelutong (Mr. Ooi Thiam Siew): Mr. Speaker, Sir, I would like the Legal Adviser just to give this clarification. This Agreement that was signed between the Federal Government and Singapore: is the Legal Adviser aware that in the White Paper presented by the Singapore Government to the Singapore State Assemblymen it gives the inference that they will be enjoying benefit for 12 years up to 31st December, 1975?

Legal Adviser: Mr. Speaker, Sir, I am not aware of this White Paper presented to the Singapore Assembly. As far as we are concerned the Agreement is what binds us; this is the Agreement between Singapore and the Federation. What Singapore says to its own citizens cannot bind us, of course.

Member for Sungei Pinang (Mr. D. S. Ramanathan): Mr. Speaker, Sir, I rise for a clarification from the Hon'ble the Legal Adviser. The motion before us is about the holding of a referendum. I should like to ask him if in the Constitution of the State of Penang we have provision for the holding of a referendum.

Legal Adviser: The answer, Mr. Speaker, Sir, is "No"; and I would elaborate. A referendum, like the referendum in Singapore, envisages the use of the full elec-

tion machinery; and the Election Commission and the election machinery come within the Federal purview and, therefore, even if this Assembly were to accept this proposal to hold a referendum, I have serious doubts whether we can in fact have the machinery, or get the Federal Government to provide the machinery to hold what would in effect be a full-scale election with rather limited terms of reference.

Member for Sungei Pinang (Mr. D. S. Ramanathan): Now that that point has been clarified, I will not join the others in going round the mulberry bush because it is now clear, whether the motion is adopted or defeated, it has no relevance at all because we cannot hold a referendum. So, all we do is to give expression to our opinions and feelings about this whole question.

I tried to get a copy of the Rueff Report here in Penang, but I did not succeed. I managed to buy one in Singapore. Before I went to Singapore two weeks ago I also was of the opinion that a referendum would be the proper thing to do under the circumstances, but after I have studied this Report I am afraid I have had to change my mind.

The subject that the Assembly has been debating to-day is a highly technical subject, involving a common market, free port status, entrepot trade, protective tariffs, and so forth. But, as far as I can see, the approach here this morning has been wholly a political one. That is, of course, quite legitimate, but on a matter of this nature it is always good to do a little bit of study. As far as the political angle is concerned, I believe we have, on this side of the House, anyway, established the fact that the Government has at various times made the promise that the

free port status will be maintained; and I do not think anything that any member of the Government Bench can now say will deny that fact. But, having said that, I must also point out that time does not stand still, and what has happened now is that history is catching up on us. Events have taken place which have now made it necessary to consider a common market, not only for Malaya but for Singapore and the other countries which are to be included in the proposed Malaysia; and, therefore, to ask that Penang should continue in its old position of a privileged State is, I am beginning to think, not quite reasonable. I am strengthened in this belief by what happened a few months ago when the United Kingdom, after having made very strenuous efforts for two years to enter the European Common Market, suddenly found itself refused by France; and I certainly do not want Penang to take any decision now by which, perhaps later on when we want to enter the Malaysian Common Market, we will be told, "No, you stay out". Then we will be in a real predicament.

I have also noticed a certain amount of confusion in the thinking about the free port status and the entrepot trade of Penang. I must point out to this Assembly, Mr. Speaker, Sir, that the two are not the same. While the free port status may be limited by entering into the Malaysian Common Market, the entrepot trade of Penang can still be protected. The Rueff Report has very clearly stated how this thing can be done. With your permission, I would like to read certain sections:

"The need to establish a common market and thereby extend the application of protective tariffs to Singapore and Penang will require special arrangements to protect their entrepot trade. These arrangements can

be relatively simple in the case of most of the imports of raw materials from the region which are graded and processed for re-export to the industrialised countries. However, for many of the manufactures imported by Singapore and Penang from those countries for redistribution in the region, the problem is more complicated. A satisfactory solution will require the extended use of bonded warehousing, and the creation of free zones. It will also require some modification of customs procedures, and a substantial strengthening of the customs administration in Singapore."

Now, therefore, Sir, the limit of the free port status and the entrepot trade, though related, are not entirely the same thing. What, therefore, is going to happen is this. If we enter the Malaysian Common Market, the people of Penang are being expected to make some sacrifices, and, if I remember correctly, the Minister of Finance has put it down as 20 point something dollars per head of the population per year. Now the crux of the matter is this: in 1956 the people of Penang had to make a decision. We were then still under the so-called Straits Settlements; and Hon'ble Members here will remember that there was a very definite move to secede, and not join the proposed Persekutuan Tanah Melayu. I was actively concerned in proceedings at that time, and I remember that the Labour Party was asked their views about this. They said, "No, we are part of Malaya, and we will remain part of Malaya", though I know that very high British officials came to Penang and sought information as to whether it would be possible to continue Penang, Malacca and Singapore as a separate political entity. We are now again in more or less the same position, and I think it is up to the Government to present to the population of

Penang the real facts. It does involve some sacrifice on the part of the people, but I think the advantages to be derived from the common Malaysian market in the long run would be to the benefit of the people of Penang. If now, for example, we suddenly decide that we are going to oppose this by all means then we might find ourselves in the position of the United Kingdom being refused entry into the European Common Market, and we will be outside the Malaysian Common Market. Now, this is one thing that I would wish all Hon'ble Members of this Assembly to realise; and I feel that the Government should make these facts clear to the population in as simple a manner as possible. It is true that Penang for the last 175 years and more has lived by entrepot trade. But let us again remember that entrepot trade is not something which depends wholly on us. It depends on the policies of the countries surrounding us. Indonesia, from whom we get a lot of trade, may suddenly adopt a policy of not sending any goods to Penang. Then where will we be—except, perhaps, for a little smuggling? Then Penang will become known as the Smuggling Port! Burma and South Siam may also adopt a different policy. In fact Siam, I believe, is now thinking of cutting the Kra Canal. There, again, we cannot therefore depend completely on entrepot trade alone. We must be part of the common Malaysian market. However, this does not mean that we should write off entrepot trade altogether; we still can make provisions for it. I know that in Singapore they are talking of the Island of Blakang Mati as a possible free zone. We too have islands around us. There is Pulau Aman; there is Pulau Jerejak which is very close to Prai. With a little thought, with a little imagination, we could turn these places into free zone areas. Again, there is the provision of

bonded warehouses which the Rueff Report has recommended; and the more I read the Rueff Report, the more I am convinced that the experts have given a great deal of thought to the preservation of entrepot trade both in Singapore and Penang. Therefore, we must take their advice in these matters.

There remains the political aspect. This, as I said, will always be with us because we are a political Assembly, but I believe that if the people of Penang are made to realise and understand what is involved in the whole problem they will appreciate the fact that change is necessary because times keep moving. We must not forget that the free ports instituted by the British were merely part of their colonial trade policy. It has in fact helped to develop various places all over the world which the British supported as free trading areas. But it was for their benefit. Now in Malaya, and the future Malaysia, we are trying to industrialise more and more. Many articles of common use are going to be produced in either Malaya or Malaysia, and if Penang were to remain outside there may come a time when we will have to import from Malaysia and pay our own duties. Therefore, for all these reasons I feel that the question of the free port status of Penang is important to the average person living in Penang. I myself do not like to pay duties. Who likes to pay duties? I am sure if Hon'ble Members were to go to Singapore they would probably buy new shoes and new shirts, and put them on to avoid paying duties.

But the point is: we are now in the grip of history and, therefore, when a change is necessary we must accept it in the best way possible... (Applause.)

Member for Butterworth (Dr. M. P. L. Yegappan): Mr. Speaker, Sir..... (Interrupted.)

Mr. Speaker: Don't make it too long.

Member for Butterworth (Dr. M. P. L. Yegappan): It won't be too long, Sir.

It has been generally agreed by all the Hon'ble Members in this Honourable House that this motion is not within the jurisdiction of this Honourable Assembly; and yet, why the Hon'ble Member for Jelutong has brought this before the House is left to be understood. Again, I am greatly astounded at the inconsistency of the Hon'ble Member for Jelutong in his statements. Only yesterday he said that the celebration of Malaysia was premature, but now, to-day, we heard him say, when he moved this motion before this House, that the formation of the Federation of Malaysia is imminent. I do not know whether he has, in his anxiety to bring this motion before this House, got his confusion most unfounded. Mostly all the members in the Honourable Opposition Side have not failed to give references to the Alliance Manifesto, and draw the attention of the House to the particular portion where the Alliance Party has promised the people to preserve the free port status of Penang. And we, the members on this side, do not deny that we have made the promise; we have made the promise and we have kept the promise. We have preserved the free port status of Penang; we are preserving the free port status of Penang; if we had recommended for the abolition of this free port status then it will be right for the Hon'ble Members of the Opposition to bring this charge against the Government. Otherwise, in order to test the sincerity of the promise of the Government, they

could have moved a motion to abolish the free port status of Penang and seen the result—what it would have been. Certainly we would have objected. As it is unanimously admitted from the Opposition Side that this is not a matter for this House to discuss, but only to express views or to make representations on this subject, I think the Government is not in a position to do anything in this matter. It has been dealt with by the Federal Government. And again I have to point out to the Hon'ble Member for Jelutong about his inference from the statement by the Hon'ble the Chief Minister saying that this is a matter for the Federal Government and the Finance Minister. This is only a reference, Mr. Speaker, Sir; not that I am bringing the Federal Finance Minister into this Assembly on the issue, but that the Finance Minister would refer to the people of Penang as regards this. I think there is a certain amount of misconstruction. As has been clearly stated just now by the Hon'ble the Chief Minister, though this decision has been taken, the implementation will take a few years, that is, about five years. It will be spread over a period of five years, and during that period the implementation will be carried out in gradual stages in consultation with the particular trades in the State.

Therefore, Mr. Speaker, Sir, in view of the salient points I have just now raised and, of course, expressing my appreciation for the nice speech comprising salient points from the Hon'ble Member for Sungei Pinang, I think the Hon'ble Member for Jelutong will reconsider and withdraw his motion now before this House.

Member for Jelutong (Mr. Ooi Thiam Siew): Mr. Speaker, Sir, it is not my intention to withdraw my motion... (Interrupted.)

Mr. Speaker: I admire your courage.

Member for Jelutong (Mr. Ooi Thiam Siew):.....because I feel that there are no arguments being presented by those who oppose my motion to make me withdraw it; and I shall endeavour to answer to all the points raised by the speakers who are against this motion.

First of all, the Hon'ble the Chief Minister, in his clarification to a statement made by the Hon'ble Member for Tanjong Selatan, said that the State Government has no authority; the question of a free port status is a matter for the Federal Government. But I feel sure that if that be the case, if the State Government cannot even be consulted — it has already been stated that the State Government can be consulted—then the Alliance Government has been bluffing the people of Penang in putting that as an issue in the State Manifesto.

Now, the Hon'ble Member for Tanjong Bungah questioned my sincerity, or insincerity of Mr. Geh Chong Keat; but I feel sure that if he really supported..... (Interrupted.)

Mr. Speaker: Mr. Geh Chong Keat is not here to reply.

Member for Jelutong (Mr. Ooi Thiam Siew): No; but since the Hon'ble Member for Tanjong Bungah has seen right to defend Mr. Geh Chong Keat, I think that he himself has said that the Finance Minister would consult the State Government and representatives of the business section. My opinion is that that is not enough and the people in Penang Island are affected by the question of a free port status, and they—if we are to believe in democracy, they, the people—are to be consulted; and they can only be consulted by

having a referendum. The Legal Adviser, on a point of clarification raised by the Hon'ble Member for Sungei Pinang, did say that it is not within the jurisdiction of the State Government; but it does not stop us, if we agree on this referendum from calling upon the Federal Government saying that we want a referendum in Penang, and asking the Federal Government to accommodate us—if it is actually the wish of the people. So it could still be done if this Assembly wholeheartedly supported the question of a referendum.

I must thank the Hon'ble Member for Kota for quoting further instances whereby the whole House is elected by the people in Penang State—not only Penang Island, where the free port status is an election issue. As such, if we are to deviate from that as an issue, we should go back to the people. He did bring forth a very valid point when comparing Penang and Singapore. That valid point is the question of having a causeway to join Singapore with the Federation of Malaya in Penang. Even if the Island is highly industrialised, the cost of transportation from Penang Island to the Mainland will make any persons interested in having factories in Penang Island shun Penang Island, even though we have the land. But we even have not got the land in Penang Island. So how can we compete with Singapore and the rest of the Federation of Malaya when there is this stretch of sea between Penang Island and the Mainland. I would like the State Government to recommend to the Federal Government to consider this point very carefully when they would like to take off the free port status.

The Hon'ble the Chief Minister in his speech contradicted me by stating that only employees of the Pahang Consolidated Tin enjoy

duty-free goods, and that it was an agreement signed by the Government and that tin company which made them enjoy that privilege. I would say to him straightaway that it is not only the employees that enjoy the privilege. It is the whole village of Sungei Lembing that enjoys that privilege. I have been there for at least three months, and I know. It is only that stretch at Pasir Kemudi where there is a Customs barrier to prevent people from Sungei Lembing taking duty-free goods out of Sungei Lembing to Kuantan. There is no doubt that there is a written agreement whereby the people in Sungei Lembing enjoy that privilege. In so far as Penang Island is concerned, when we joined the Federation of Malaya there was no written agreement. There was no written agreement, but there was this unwritten agreement when the Alliance made that as an election issue to prevent Penang from seceding from the Federation of Malaya. So I would consider that the Federal Government is morally bound by an unwritten agreement to maintain the free port status until such time that they can give the people of this Island another right by high industrialisation of this State. We might then consider that the right of free port status is no more.

I do agree with the Hon'ble Member for Sungei Pinang that we must be progressive. There is no doubt about it that any progressive measures should be welcomed, but I feel certain that neither the State Government nor the Federal Government has by their actions tried to make Penang progressive. The Rueff Report mentioned about industrialisation. The only industrial site that we have and that the State Government can offer them all is in Province Wellesley. Neither the State Government nor the Federal Government ever

thought of industries in Penang Island. Can they? I challenge them that for practical reasons Penang Island cannot be industrialised; and if Penang Island cannot be industrialised, and if the free port status is taken away, what are the people of Penang left with? As expressed by the Hon'ble Member for Kota, it is a sleepy hollow.

Mr. Speaker: I think you can start building casinos in Penang.

Member for Kota (Mr. Lee Kok Liang): Oh, I agree with that, if the Speaker agrees.

Member for Jelutong (Mr. Ooi Thiam Siew): I am not going to say that this motion is a political one. Since we are all politicians, I feel sure that any discussions at this Assembly will always continue to be political issues. Even economic and social matters will become political issues at this Assembly; and not only at this Assembly but even at Parliament.

I do not agree with the Hon'ble Member for Sungei Pinang for stating that Penang is in the position of a privileged State in connection with the free port status. It is not a privileged State; it is the birthright of the people in Penang. This right they have enjoyed for 175 years, and if that right is to be taken away, as I said earlier, another right should be given to the people of Penang Island. He was comparing us with what happened between the United Kingdom and the European Common Market, but he failed to realise that it is the question of the United Kingdom trying to protect the rights without giving way to it—that is why they are now out of the European Market—in the same way that we are fighting for our rights for Penang Island, and we cannot give up those rights unless other rights are being given to us. He quoted the Rueff Report

about making special arrangements for a free port zone. In quoting that he has made it known that it is possible for raw materials to be dealt with without any possible trouble. But the question of manufacturing articles would be more of a hindrance; and it is in connection with that that I would advise the State Government, even if they cannot influence the Federal Government to change their minds, that we should do everything possible to voice what the people in Penang feel about it.

Regarding the consultation which the Hon'ble the Chief Minister said that the Federal Government promised, I would just refer to the replies which he gave to the Hon'ble Member for Kota. The Hon'ble Member for Kota asked "whether the Government of the Federation of Malaya or the Federal Prime Minister has consulted our State Government in the matter regarding the formation of Malaysia". The reply is "Yes". The second question then is: "If so, when and precisely what are the matters brought up for consultation?" The reply is: "Since May, 1962, the Conference of Rulers has been fully briefed on the subject of the creation of Malaysia". Now it would appear that our Governor, in attending the Conference of Rulers, is attending there in his individual capacity, and not as the Governor in Council.

Mr. Speaker: I would like this to be clarified by the Legal Adviser. Is it true to say that the Governor is attending the Conference of Rulers in his own capacity?

Legal Adviser: No, Sir, that would be quite incorrect.

Member for Jelutong (Mr. Ooi Thiam Siew): That is the very point I am coming to. If my inference is incorrect, then the Governor in Council, while attend-

ing the Rulers' Conference would be aware.... (Interrupted.)

Legal Adviser: May I interrupt? In clarification again, it is the Governor under certain provisions of both the Federal and State Constitutions. It is a third sort of Governor, if you may put it that way.

Member for Kota (Mr. Lee Kok Liang): Mr. Speaker, Sir, further clarification from the Legal Adviser: the Governor is the Head of the State of Penang. He attends the Rulers' Conference as the Head of the State of Penang, but not as a representative of the State Government.

Legal Adviser: That is so, Mr. Speaker, Sir.

Mr. Speaker: I think this is a very tricky question. If anybody requires further clarification, better send in notice for the next meeting.

Member for Jelutong (Mr. Ooi Thiam Siew): What I would like to bring forth is this: I feel sure that the matters raised at the Rulers' Conference would, although they are secret to the public, be made known to the State Government; and I feel sure that the State Government would then be aware that the free port status could, arising out of this Malaysia, be taken away from the people of Penang Island. What measures have been taken by the State Government to see to it that they preserve the free port status? Our Chief Minister has never replied to that.

Now, in my reply to the Hon'ble Member for Butterworth: He said that I was being inconsistent in my speeches. While yesterday I said that the Malaysian celebration is premature, to-day I feel that the creation of Malaysia is imminent. I wonder where the inconsistency is. It is based on facts. In so far as the Malaysian celebration is

concerned, it is premature; and even the Federal Government has now, from to-day's paper, postponed the celebration of Malaysia. Regarding the imminent nature of the Federation of Malaysia, I wonder whether the Hon'ble Member for Butterworth could not agree that it is imminent irrespective of the opposition from so many sources against the creation of Malaysia. Whether it is imminent, or whether... (Interrupted.)

Mr. Speaker: Please do not name those oppositions.

Member for Jelutong (Mr. Ooi Thiam Siew): So, where is the inconsistency? He said that it may be possible for the Federal Government or the State Government to take some time to industrialise Penang Island; and in his view it may take five years.

Member for Butterworth (Dr. M. P. L. Yegappan): Mr. Speaker, Sir, on a point of clarification, I did not say that it will take five years to industrialise. It will take five years to implement the decision.

Member for Jelutong (Mr. Ooi Thiam Siew): It takes five years to implement the decision. If it takes five years to implement the decision, if by the end of five years Penang Island is not industrialised, what happens to the people, to the workers and to those who earn their living by enjoying this free port status? I am saying it: that it is not possible. It is practically impossible for either the Federal Government or the State Government to implement its industrialisation programme in five years. Just take, for instance, the Mak Mandin Industrial Estate. As mentioned by the Hon'ble Member for Tanjong Utara, three years have passed, and there is still a factory to come up, although there are already 11 approved applications; and even those 11 approved applications are in no way indus-

tries which could really assist the economy of the country. They are just light industries, and cannot in any way be termed as major industries to make Penang State highly industrialised.

It is really for all those reasons that I say I am not withdrawing my motion. Thank you, Mr. Speaker.

Question put and motion defeated.

8. ADJOURNMENT.

Chief Minister: Tuan Yang di-Pertua, saya mohon menandatangani supaya Dewan ini ditangguhkan sekarang.

Member for Muda (Tuan Haji Ismail bin Che Chik): Tuan Yang di-Pertua, saya menyokong.

Member for Bagan Ajam (Mr. Phee Joo Teik): Mr. Speaker, Sir, today I am speaking on a subject which most of us have already read about in the papers in the last one-and-a-half months, and that is about the controversy over the question of trawler-net fishing in the waters of our State, and about the protest that is being made by the fishing communities from the various parts of our State.

Mr. Speaker, Sir, the trawler-net owners contend that they are making a great contribution towards the fishing industry by introducing new fishing techniques, providing employment, and fish at a cheaper price. But then on the other hand our inshore fisher folks, in the strongest terms, protested against this method of fishing, indicating that they are being deprived of their only means of livelihood. In view of their protest, and that of the fishermen from neighbouring States, the Honourable the Minister of Agriculture and Co-operatives imposed a temporary ban on trawler-net fishing from the 19th July, and this is to last until 31st October,

1963. On behalf of the fisher folks in the State of Penang, I wish to take this opportunity to thank the Honourable Minister for imposing the said ban, and for having the welfare of the fishermen at heart.

Mr. Speaker, Sir, I have personally made investigations into the complaints of our fishermen, and I understand that in trawler-net fishing the methods are that the nets are being weighed down by weights, and these nets are being dragged along the sea bed. Now, this method of fishing not only disturbs the feeding and breeding grounds, but destroys them. To illustrate this point, **Mr. Speaker, Sir,** it is something like using a tractor ploughing padi land. And from information gathered, **Mr. Speaker, Sir,** it seems that once the feeding or breeding ground has been disturbed or destroyed fish could not be found in that same area for some time as there is nothing to feed on; and at the same time the disturbed sea bed produces a bad odour which keeps the fish away. And it would take some time for nature to take its course before fish could be tempted to return to the same feeding area.

In our State, **Mr. Speaker, Sir,** the present methods of fishing employed by our inshore fishermen are: Pukat nyoh, pukat hanjut, pukat payang, pukat langgai, pukat pompang, pukat kisa, etc.; and fishing grounds are around Song-song Island, Pulau Langkawi, Muka Head, Pulau Tioman and Pulau Aman in the channel, and in the waters around the Island and along the shores of the mainland, and they fish in waters less than 15 fathoms deep.

Mr. Speaker, Sir, I understand that although trawlers are supposed to fish in waters of more than 15 fathoms deep it is understood that they in fact fish in the

fishing grounds of our inshore fishermen, thus depriving them of their usual catches.

Mr. Speaker, Sir, I wish to make one point clear, and that is that we must appreciate that our inshore fishermen are not protesting on the fact that they are facing competition from trawler-net owners as they would be able to offer cheaper fish. But the main reason of their protest is that their catches are poor due to this method of fishing.

Not long ago, Mr. Speaker, Sir, we have read in the papers of the plight of the Kuala Muda fishermen (interrupted.)

Mr. Speaker: You have only 1½ minutes to go. Under the Standing Orders you can speak for only 7½ minutes.

Member for Bagan Ajam (Mr. Phee Joo Teik): I won't be long. and they had to seek assistance from the Social Welfare Department.

We have a fleet of tuna fishing boats based in Penang which is also employing new fishing techniques. Have we ever heard of protest from our fisher folks about these fishing boats? The answer is 'No', Mr. Speaker, Sir, and the reason being because these fishing boats do not interfere with the fishing grounds of our inshore fishermen.

I therefore hope, Mr. Speaker, Sir, that before the ban is being lifted the authorities concerned would make a very comprehensive study of the inshore fishermen's problems, and I also hope that every effort will be made to protect and safeguard the interests and the livelihood of these people.

Thank you, Mr. Speaker.

Chief Minister: Mr. Speaker, Sir, I would like to thank the Honourable Member for Bagan

Ajam for his concern over the plight of fishermen in this State.

This Administration is aware that certain categories of fishermen in the State using traditional gears are strongly opposed to the operation of trawler-net fishing as they felt that the introduction of trawling is causing them undue hardship, and affecting their livelihood. As maritime fishing is the responsibility of the Federal Government, the complaints of these fishermen had been referred to the Ministry of Agriculture for necessary action to be taken by the Federal Government.

Honourable Members of this House are no doubt aware that following reports made by these fishermen, and investigations carried out by the Ministry, the Minister of Agriculture and Co-operatives had decided, and his decision was announced in the local papers of 18th July, 1963, that trawling in Malayan maritime waters be banned until 31st October, 1963. With this decision the Ministry has also sought the co-operation of the Police to ensure that the ban is not violated. The Ministry also declared that so far no licence for trawler-net fishing had been issued.

It is understood that the Trawler Fishing Association has appealed to the Minister of Agriculture and Co-operatives to lift the ban on trawling; and for the information of Honourable Members the Ministry is now closely studying the question of how trawler-net fishing could be operated in this country without causing economic distress to other fishermen employing existing methods of fishing, and how assistance could possibly be given to those fishermen who wish to convert to modern methods.

The Assembly adjourns at
12.10 p.m.

