

18.X.68

THE JAPAN ECONOMIC RESEARCH CENTER

THE STRUCTURE AND DEVELOPMENT IN ASIAN ECONOMIES
(International Conference)

September 9-14, 1968

Tokyo, Japan

AGRICULTURAL DEVELOPMENT AND ECONOMIC DEVELOPMENT
IN MALAYSIA

by

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INTRODUCTION:

It is as easy to give a broad description of Malaysia's agriculture as it is simple to discuss the Government's agricultural policy. Complexities may arise when the attempt is made to separate categorically, the conditions that actually exist and those which it is hoped would prevail.

This paper is divided into five parts. Part I describes objectively the basic facts about agriculture in West Malaysia. Part II describes the Government's aims for agricultural development. Part III examines the implementation of agricultural policy. Part IV discusses the main steps taken by Government to define and execute its agricultural development programme. Finally, Part V discusses the

The Author wishes to acknowledge valuable comments and assistance received from Dr. Agoes Salim, Dr. Rais Saniman and Mrs. Khoo Siew Mun, none of whom are, of course, responsible for the opinions or accuracy of facts in this paper. The Author alone is responsible.

effectiveness of the agricultural policy and its implementation, taking into account certain developments that have occurred rather recently.

In this introduction it is important to clarify the orientation of this writer so that readers of the ensuing parts may not have false expectations.

This writer holds that in the Malaysian context institutional reforms are an essential ingredient of agricultural development. Indeed unless the right complex of institutional reforms are carried out with complimentary programmes of technical change, the new technology will neither stick nor spread. Agricultural developments will founder and a trend of rising real farm incomes will not be created.

The requisite institutional changes include reforms and innovations in the systems of marketing, credit and tenancy relations.

Two other points need to be made.

Firstly, a discussion about economic development which is oriented towards the significance of institutional changes must extend its scope beyond the narrow confines of economic theories and agricultural statistics. It must take account of the relevant social and political elements that can be obstacles, catalysts or accelerators of economic development.

Secondly, this paper is concerned with broad policy of the general framework of development. It is not concerned with the evolution of the success or otherwise of individual projects or

schemes. Neither is there any intention to discuss the correctness of the relative distribution of resources between projects, institutions or ministries.

If the basic theses are accepted then the conclusion is reached that the lacunae are significant. Whether this is the result of a mirage or of myopia it is difficult to conclude. Progress depends firstly on the acceptance of a correct theoretical analysis of the problem as it is now, and secondly, of adroit implementation of the required measures before it is too late.

I. AGRICULTURE IN WEST MALAYSIA

The basic statistical picture of agricultural production in West Malaysia is rather simple. There is one giant crop, three other crops which are fairly significant and a considerable number of miscellaneous crops all of which occupy less than 6 per cent of the total cultivated agricultural area (see Table 1).

The utter predominance of the rubber tree, which occupies 68.2 per cent of the total cultivated area, lies at the core of virtually all problems of economic development in Malaysia. Because the share of the rubber industry in the GDP is so large compared to any other industry (agricultural or manufacturing) changes in the world price of rubber or variations in the country's output not only create an immediate impact on the agricultural economy but consequent 'multiplying ramifications' permeate nearly every sector of the national economy.

TABLE 1
CROPS IN WEST MALAYSIA^a BY AREA
AND PRODUCTION, 1966

Crop	Area ^b		Production ^c (Tons) ^d
	(Acres)	(%)	
Rubber	4,404,480	68.2	890,714
Padi	904,330	14.0	585,030 ^e
Coconut	505,800	7.8	n.a.
Oil Palm	297,330	4.6	183,394 ^f
Miscellaneous	346,620	5.4	-
Total	6,458,560	100.0	-

^a All the data relates to West Malaysia which consists of the eleven States situated on the Malay Peninsula. It seems reasonable to adopt this limited scope because the Central Government is responsible for agricultural policy in the whole of West Malaysia. In the two East Malaysian States of Sabah and Sarawak, agricultural policy is subject to the authority of the respective State Government concerned. Most of the data in this Part has been obtained from the Statistical Digest (January 1968) published by the Planning and Research Division of the Ministry of Agriculture and Cooperatives, West Malaysia.

^b Ibid.

^c West Malaysia, Department of Statistics, Monthly Statistical Bulletin of West Malaysia, March 1968, Table 2.1.

^d Long ton = 2,240 lbs.

^e Rice equivalent.

^f Palm oil.

Padi is the next largest crop by area, though not by value, of production. It is the main peasant or small-farm crop and is concentrated mainly in the northern regions of the country although there is one important area in the centre of the west coast. Production data includes the output from areas under wet padi and dry padi as well as areas that yield two crops of wet padi, per annum.

The coconut palm is one of the most ubiquitous plants in the Pacific. While a considerable quantity of the nuts are consumed fresh as an ingredient in native cuisine or as a beverage, the bulk of the output is produced in the form of an intermediate good called 'copra'. In 1966, from the estate area of 63,100 acres, total production of copra was estimated at 27,684 tons. If the yields on small farms were similar then the total small-farm area of 442,700 acres would produce the equivalent of 194,226 tons of copra. In fact, the yields per acre on small farms are considerably less. The total productive area may also be somewhat over-estimated.

The oil palm is a crop of increasing significance in terms of potential output value rather than relative cultivated area.

Although hidden among the miscellaneous crops¹ may be the future salvation (from the agricultural sector) of Malaysian economic growth,

¹Tea, cocoa, coffee, sago, sugar cane, tapioca, sweet potatoes, ground nuts, maize, vegetables, sugar palm, colocasia, yam, water melon, soya bean, pulses, ragi, rock melon, ubi kemili, pineapple, banana, durian, rambutan, mangosteen, lime, pomelo, mandarin orange, duku and langsung, papaya, cashew nut, mango, chiku, rambai, chempedak, jack fruit, arecanut, sireh, chillies, ginger, pepper, tumeric, nutmeg, cloves, tobacco, nipah, gutta percha, manila hemp, gambier, kapok, derries, patchouli, ipecacuanha and citronella.

it is not possible to consider these items in this brief paper. In the production of coffee, tea and tobacco considerable measures of self-sufficiency have been attained and these items are also being exported. The bulk of the pineapple crop is exported as canned products.

Plantations or Estates and Small Farms

Seventy² per cent of the oil palm area is operated on an estate or plantation basis. In the case of rubber the proportion under estate³ ownership shows a declining trend.⁴ In 1966 the estate area was 41 per cent of the total area.⁵ A relatively small proportion of the area under coconuts (12.5 per cent) is owned by estates. To sum up, the small farms have 71.9 per cent of the total area under all crops (i.e. 4,638,960 acres).

Exports

Except for padi all the crops are involved in exports. In 1966 the value and volume of net exports for the three main products were:

²Statistical Digest, 1966, Table 33.

³According to the Registrar of Statistics an estate is an area (contiguous or non-contiguous) not less than 100 acres under single ownership. The notion of 'control' as compared to ownership is complex for 'estates'. Land settlement areas are at present included under estates.

⁴See U.A. Aziz, Subdivision of Estates in Malaya, 1950-1961, Report in Annexure to Federation of Malaya Command Paper No. 29 of 1963.

⁵Cf. 1956, when the estate area was 57.3 per cent of the total rubber area (Malaya, Department of Statistics, Rubber Statistics Handbook, 1956, Kuala Lumpur, 1958, Table I).

TABLE 2
NET EXPORTS, 1966

Crop	Value (\$ Million)	Quantity (Tons)
Rubber	1,338.5	893,059
Oil Palm Products	117.1	178,281 (oil) 18,670 (kernels)
Coconut Products	24.1	10,614 (copra) 23,806 (oil)

Source: Monthly Statistical Bulletin of West Malaysia, March 1966, Table 1.5.

These figures serve to high-light the significance of rubber over other agricultural products as an export earner. In 1966 mineral ore exports were the only items that can be considered comparable to rubber. Tin metal exports were valued at \$779.4 million and iron ore at \$136.2 million. The total value of all exports in 1966 was \$3,110.5 million.

National Accounts

The most recently published national accounts for West Malaysia⁶ indicate that in 1965 out of a total gross domestic product (GDP) at factor cost of \$6,884 million, the contribution of agriculture (including forestry, hunting and fishing) was \$1,954 million (i.e. 28.3 per cent). Of this, rubber planting accounted for 14.9 per cent (\$1,002 million) of the GDP.

⁶Malaysia, Department of Statistics, National Accounts of West Malaysia 1960-1965, Kuala Lumpur, 1968, Table 11.

Revenue

Actual total revenue collected by the Central Government in 1966 was \$1,188.4 million.⁷ Of this, the duties on rubber exports yielded \$68.1 million or 5.7 per cent. Revenue from mineral ore exports yielded 11.3 per cent of total revenue. Other important sources of revenue were indirect taxes on such items as tobacco and cigarettes; spirits and wines; and fuels. These three categories yielded 14.3 per cent of total revenue. Income tax yielded 34 per cent of total revenue. If it is borne in mind that revenues from indirect taxes on tobacco, spirits and fuels as well as from income tax fluctuate considerably in the same direction as the price of rubber, then it will be understood that allowing for a time lag, there will be a fair degree of correlation between world market price trends and total revenue received.

Employment

The pattern of employment reveals the significance of rural occupations especially in rubber production. The total labour force in employment⁸ in 1962 was 1,605,170 persons. Of this, 72 per cent worked in rural employment. Persons employed on rubber estates or small farms numbered 731,565, while 301,754 worked on padi farms and 116,580 were employed in various forms of agricultural or livestock

⁷Monthly Statistical Bulletin, op. cit., Table 3.1, p. 347.
Actual total revenue for 1965 was \$1,075.7 million.

⁸The latest survey available is the Federation of Malaya, Report on Employment, Unemployment and Underemployment, 1962, Kuala Lumpur, Department of Statistics, 1963. (Refer to Table 1.2.)

production, including coconuts (25,532 persons) and oil palm (5,478 persons). The most recent figures from another source reveal the same situation (see Table 3). It will be seen that, quantitatively, only employment in the public sector is comparable to rubber.

TABLE 3
NUMBER OF PERSONS EMPLOYED BY INDUSTRY

<u>Industry</u>	<u>Employees (1,000)</u>
<u>Agricultural</u> ^a	
Rubber	249.5
Oil Palm	26.3
Coconut	5.7
Tea	5.7
Pineapple	3.5
<u>Non-Agricultural</u> ^b	
Government and Quasi-Government	248.2
Manufacturing	50.5
Tin Mining	48.5
Transport	30.6

^aMonthly Statistical Bulletin, op. cit. The estimated number of employees in the industries is as at July 1966.

^bIbid., Table 3.1, p. 183.

II. AIMS OF AGRICULTURAL DEVELOPMENT

Before the relationship between agriculture or agricultural development and national economic development can be discussed it would be useful to note the character and magnitude of the problem as it is conceived by the Malaysian Government. The clearest statement of Government's policy regarding national economic development is to be found in the objectives of the First Malaysia Plan, 1966-70:

- (i) To promote the integration of the peoples and states of Malaysia by embarking upon a development plan explicitly designed to promote the welfare of all;
- (ii) To provide steady increases in levels of income and consumption per head;
- (iii) To increase the well-being of Malaysia's rural inhabitants and other low-income groups, primarily by raising their productivity and thus their income-earning capacity;
- (iv) To generate employment opportunities at a rate sufficient to provide productive work for new entrants to the labour force and lower the rate of unemployment;
- (v) To stimulate new kinds of economic activity, both agricultural and industrial, so as to reduce the nation's dependence on rubber and tin;
- (vi) To educate and train Malaysians from all walks of life in order to equip them for effective participation in the process of economic and social development;
- (vii) To lay the groundwork for less rapid population growth by instituting an effective programme of family planning;
- (viii) To open for development sufficient new land to keep pace with the formation of new farm families and reduce the number of landless people desiring land for agricultural purposes;
- (ix) To provide electric power, transportation facilities and communication services adequate to keep ahead of foreseen demands;

- (x) To progress with health and social welfare development, low-cost housing and a wide range of other projects.⁹

In this paper particular attention will be given to four objectives:

(ii) which deals with increases in incomes; (iii) improvement of agricultural productivity; (v) diversification away from rubber; and (viii) extension of new land areas.

The strategy for rapid growth described on pages 6 and 7 of the Plan is seen to lie in the development of new patterns of economic activity while the competitive position of natural rubber vis-a-vis synthetic rubber is maintained. The output of oil palm products is expected to expand rapidly. For the diversification of agricultural products, bananas, sago, tapioca, cashew nuts, pineapple, citrus fruit and abaca are mentioned. Increased local production of padi is desired so as to reduce dependence on imports and to improve the economic condition of the padi farmers.

The Plan indicates an awareness of poverty in the following two statements: 'Many padi cultivators, especially tenants, do not earn adequate incomes.' And, 'The Government will continue to make every effort to alleviate poverty by providing improved facilities and opportunities for these groups.'¹⁰

Chapter VII of the Plan bears the heading, 'Agriculture and Rural Development'. This indicates the significance of agriculture

⁹Malaysia, First Malaysia Plan, 1966-70, Kuala Lumpur, Government Press, 1965, p. 2.

¹⁰*Ibid.*, p. 6, para. 17.

in the Plan for rural development. Inter alia, the first paragraph states 'The development of agriculture will continue to be given strategic importance by the Government, for progress in this sector is crucial to the overall development of the economy.'¹¹

The long-term objectives echo the general objects of the Plan with an indication of the resources to be drawn upon:

- (i) an accelerated expansion of output and employment in the agricultural sector by increasing the land area under cultivation;
- (ii) a progressive increase of per capita output and income in the agricultural economy by raising the productivity of all factors of production employed in the sector;
- (iii) a broadening of the base of the agricultural sector to ensure that its annual contribution to overall development will be less subject to the market vicissitudes confronting individual commodities, especially rubber;
- (iv) an enhancement of the ability of the agricultural sector to stimulate industrial development through the production of those commodities which make possible the viable development of agriculturally-based industrial enterprises.¹²

Here it will be seen that the Government contemplates that land per se will not be a scarce factor. There are 9.4 million acres of uncultivated land suitable for agriculture.¹³

Two reasons for pursuing diversification are (a) to counteract price fluctuations, and (b) to stimulate industrialization by making available raw materials.

¹¹Ibid., p. 97, para. 249.

¹²Ibid., p. 103-4, para. 276.

¹³Ibid., p. 104, para. 277.

In agricultural development the immediate objectives are therefore seen to be as follows:

- (i) increase the quantity and enhance the quality of agricultural educationists, researchers and extension agents so as to expand the number of skilled farmers and improve the skills of all individual members of the agricultural community;
- (ii) support on an intensive and continuing basis research on agricultural, forestry, fisheries and livestock products so as to break presently known yield barriers and develop improved patterns of production, processing and marketing that will utilize most economically the human, land and water resources of the country;
- (iii) stimulate the adoption by the agricultural community of improved practices and patterns of production over as much of the present and future cultivated area of the economy as possible and encourage diversification;
- (iv) increase the acreage under cultivation in the country, not only to expand physical production but also to provide employment opportunities for the rapidly growing rural population;
- (v) correct existing institutional shortcomings in the fields of land tenure, credit, the processing of agricultural commodities and marketing so as to enable the agricultural community to be adequately rewarded for its efforts and to have access at reasonable cost to the means of production.¹⁴

To sum up, the Government considers that in agricultural development the three 'formidable problems' confronting it are:

- (i) the lack of technical capacity;
- (ii) the need for diversification; and
- (iii) the lack of incentives due to exploitation by market operators and other institutional defects.¹⁵

¹⁴Ibid., pp. 105-6, para. 281.

¹⁵Ibid., pp. 104-5, para. 280.

An objective examination of implementation in the fields of research and education in terms of budget expenditures and acreages under crops appropriate for diversification should be revealing. Similarly, a survey of institutional changes in marketing, credit and tenancy should reveal the degree of progress achieved in dealing with these problems.

The above statements contain the basic themes that constitute both the obstacles to rapid economic development and the direction in which economic development should proceed.

For example, in Malaysia, under the present economic structure, it is expected that industry will increase its share of the GDP (at factor cost) from 16 per cent to only 20 per cent by 1970 and 22 per cent by 1975 at 1965 prices. It is unlikely therefore, that rapid economic growth via industrialization will be feasible.

Among the sectors needing capital and manpower is the rural sector, or more specifically, the agricultural sector. This sector is politically very influential. Therefore it cannot be ignored. There are strong feelings of discrimination that stem from the neglect that the rural people suffered in the past, especially up to Independence.¹⁶ Objectively, this neglect is noticeable in the lack of facilities for health, sanitation, transportation, communications and electricity and education (e.g. since there were no secondary schools in the rural areas therefore there was no channel leading to higher education for rural youth). Subjectively, the neglect is sharply

¹⁶31 August 1957.

felt by the rural people when they see the many convenient services or amenities provided to the urban people. Once they become aware of the share of government revenue that they provide through duties on agricultural exports and indirectly through import duties on cigarettes, textiles, etc., they are inclined to press strongly for rectification of the imbalance in government expenditure on the rural sector.

This subjective situation is exacerbated by the relatively higher incomes earned by people in government employment, by industrial labour, and by labour on plantations and mines.

Economic development in Malaysia thus has to include measures for the rectification of the distribution of expenditure on public capital (e.g. roads, school and hospital buildings, etc.). Recurrent expenditures in the budget have also to be redistributed. Hence it will be found that in the decade after Independence the Government has devoted a considerable part of its resources to the construction of capital items (e.g. roads, bridges, water supplies, community centres, school buildings, etc.) in the rural areas.

It has also attempted to raise incomes by raising the productivity of land and labour in farming through the introduction of modern methods, the use of high-yielding planting material, chemical fertilisers, pesticides and the mechanization of agriculture. This may be summed up very briefly as an attempt to create economic development by the introduction of modern technology into agriculture. The Government has attempted to alleviate the ill-effects of the pressure of agricultural population on the land and the extension of

subdivision and fragmentation by establishing land settlements.

In the last few years, there has been an increasing awareness that modern technology has not penetrated the rural sector as rapidly as had been hoped for and the improved or new facilities have not increased farmers' earnings. Land settlement has absorbed a relatively small fraction of the net increase in the landless agricultural population.

The conclusion reached therefore seems to be that institutional changes in the rural systems of marketing, credit and the agrarian structure (i.e. tenancy reform) are not only unavoidable but essential for the achievement of economic development.

III. IMPLEMENTATION OF AGRICULTURAL POLICY

There are a number of official sources which can be examined for factual statements regarding the implementation of agricultural policy and for indications of modifications of the basic objectives stated in the Plan.

The most recent data is contained in the Royal Address by His Majesty the Yang Di-Pertuan Agong at the opening of Parliament on 6 June 1968.¹⁷

¹⁷There are two documents: (i) the translation of the Royal Address (7 pages); and (ii) the Special Appendix to the Royal Address (99 pages). Unless stated otherwise all quotations will be taken from the Special Appendix and referred to as, 'Appendix, page'

Under Agriculture,¹⁸ in the case of padi, increased average yields and the extension of the area under two crops of padi per annum are mentioned. By 1968, about 172,000 acres should be double-cropped. The area under oil palm is expected to reach half a million acres by 1970.

In rubber 86 per cent of the estate area and 60 per cent of the small-farm area have been replanted with high-yielding planting material.¹⁹ In coconuts, the replanting and rehabilitation scheme is said to have made 'satisfactory progress'.

High-yielding and disease-resistant planting materials are the main objectives of research and extension schemes in rubber, padi, coconuts, oil palm and other crops.

On the fall in the price of rubber, the Address states unequivocally,

... as a result, our financial difficulties are acute and have been aggravated by not only this factor but by the uncertainty which still prevails in regard to the timing and pace of economic recovery in the countries which are the main consumers of natural rubber. The immediate outlook, therefore, is both uncertain and discouraging. Under these circumstances, public expenditure must be cut to the barest minimum and must not be allowed to increase beyond the level envisaged in the 1968 Budget under any but the most exceptional circumstances. Failure to do this will, without any doubt at all, jeopardise our financial and economic stability. In other words, we must choose between financial and economic stability on the one hand and increased Government expenditure with its undesirable effect on the other. We cannot have both.²⁰ It must be one or the other and a choice must be made now.

¹⁸ Appendix, pp. 92-97.

¹⁹ Ibid., pp. 79-80.

²⁰ Royal Address, last page.

The Ministry of National and Rural Development has the task of coordinating the efforts of the various Ministries and Departments charged with completing the development projects under the First Malaysia Plan. It reports that in 1966 \$3,480,453 were spent on village roads, bridges, community halls, small water supplies, playing fields and other important amenities of life urgently required by the rural people.²¹ In 1967 \$15,561,464 were spent on the construction and improvement of mosques, surau, religious schools, temples, churches and other places of worship.²²

Land settlement is mainly the task of the Federal Land Development Authority (FLDA). This Authority has seventy-five land development schemes²³ of which fifty-two are under rubber and twenty-three are under oil palm. The total area involved is 184,000 acres and this is expected to support 16,500 settler families (82,100 persons).

Land legislation comes under the purview of the Ministry of Lands and Mines which is responsible for implementing the National Land Code. This Ministry has under its aegis the National Land Rehabilitation and Consolidation Authority which at present is mainly concerned with the reorganization of various land settlement schemes which were instituted by certain State Governments and which have not made satisfactory progress.

²¹Appendix, p. 56.

²²Ibid.

²³Ibid., p. 60.

A separate public corporation, the Council of Trust for the Indigenous People, Majlis Amanah Ra'ayat (MARA), is responsible for developing the rural people and the so-called 'bumiputra' by giving them training in such technical fields as mechanical and electrical mechanics, construction and business management. It provides advisory services and credit to certain industrial and commercial enterprises. It owns and operates several public transport services in the rural areas.

Another important source of information about implementation can be found in the speeches made by Ministers concerned with development.

At a seminar on agriculture²⁴ the Deputy Prime Minister, who is also Minister of National and Rural Development, stressed the need for intensification of research so as to be able to offer the farmer better seed-strains. He also reminded the audience that it was not only the technical superiority of new planting material that was important but the relative economic advantage of different crops was equally important. He summed up the important features of the development programme as transportation facilities, farming technology (including mechanization), production incentives in terms of marketing and he specially mentioned price stability and credit. He anticipated that Farmers' Associations would get the farmers 'totally involved' in

²⁴Address by the Hon'ble Tun Abdul Razak Al Haj bin Dato Haji Hussein, Deputy Prime Minister and Minister of National and Rural Development at Kuala Lumpur, 18 April 1968, published in Development Forum, Vol. 1 No. 3 (April 1968), pp. 1-5.

the development programme. He realized the need for highly-trained personnel both for extension and for research. In the face of limited resources for development he advised a concentration of integrated development works in areas ready for such projects. In other areas effort would be limited to preparatory works for the concentrated projects which would follow later.

Although the Budget may be thought to offer a firm picture of Government activities in agriculture, certain difficulties arise when an attempt is made to describe policy trends in precise quantitative terms. The main problem is that the most recent figures will relate to 'estimates' of expenditure and revenue and not to 'actual' expenditures or revenue.

Furthermore, it is not possible in a short paper of this nature to go into the details regarding the changing emphasis in the Budget in relation to certain specific aspects of development.

Nevertheless for purposes of comparison with the macro data given in Part I above, certain relevant material is presented in Tables 4 and 5. While the total government expenditure is expected to increase by 14.2 per cent, the Ministry of Agriculture's budget is increased by 24.2 per cent. Agriculture is thus given a larger share of the Budget. This increase is most noticeable in the Division²⁵ of Agriculture.

²⁵Besides the Ministry, there are five divisions in the Ministry of Agriculture and Cooperatives:

Agriculture Division, Drainage and Irrigation Division, Veterinary Division, Cooperative Development Division and Fisheries Division.

TABLE 4

GOVERNMENT EXPENDITURE^a 1965 AND 1967
COMPARED WITH 1968

Category	Actual 1965 (\$ Million)	Estimated 1967 (\$ Million)	Estimated 1968 (\$ Million)
Total Expenditure	1,628.8	1,691.5	1,932.1
Ministry of Agriculture	15.2	19.4	24.1
Division of Agriculture	n.a.	5.2	7.3
Research Branch	-	1.5	1.7
Agronomy Branch	-	2.0	2.4

^a 'Expenditure' includes all emoluments, recurrent and special expenditure.

Source: Budgets for 1966 and 1968.

TABLE 5

TOTAL STAFF AND DIVISION I STAFF

Category	1967		1968	
	All Staff	Division I Staff	All Staff	Division I Staff
Ministry of Agriculture ^a				
All Divisions	2,357	442	2,919	448
Division of Agriculture	830	176	909	181
Research Branch	310	62	388	61
Agronomy Branch	230	33	266	60

^a Includes posts in Sabah and Sarawak.

Source: Budgets for 1967 and 1968.

There have been substantial increases in staff especially in the category of Division I, where academic qualifications are required in recruitment. The increase in the number of Division I staff in the Agronomy Branch is indicative of the awareness of the need for more qualified personnel in research, extension and education.

These estimates should be used with caution. An increase in the number of posts in the Budget does not necessarily imply that during the fiscal year all such posts will be filled with suitably qualified persons. Nevertheless the data shows the direction in which the Government intends to proceed and the pace which it has set for agricultural development.

During the last two years considerable effort has been made by the Director of Agriculture to form a Farmers' Association in Malaysia. A law entitled 'The Farmers' Association Act No. 22 of 1967' was given the Royal Assent on 19 April 1967. According to this law the objects of the Association are:

- (a) operation and formulation of extension and training programme for the advancement of agriculture, horticulture, animal husbandry, fisheries, home economics and rural youth;
- (b) promotion and establishment of demonstration farms and homes;
- (c) assistance in the conducting of farm products exhibitions and agricultural shows;
- (d) procurement, allocation and processing of farm supplies and daily necessities for farmers;
- (e) provision of marketing facilities for farm and livestock products;

- (f) provision of warehousing and processing facilities;
- (g) provision of saving and credit facilities to farmers;
- (h) improvement of efficiency of farm management.

In effect the Association will be a channel for the Government to offer the farmers integrated and coordinated services in extension, marketing and credit. It is too early to assess the effectiveness of this institution which is to be organized at the local level throughout the country. However, it does pose a number of interesting questions from the point of view of development instrumentalities. What will be the relationship between the cooperative movement and the Farmers' Association? How will the Farmers' Association's marketing and credit operations be related to the roles of the Federal Agricultural Marketing Authority and to any State-sponsored rural credit organization which may be set up in the future?

Certain related social and political aspects of the establishment of the Farmers' Association also need to be examined. To what extent will the non-farming elites and other rural power groups attempt to capture the leadership and control of the Farmers' Association? And how will the supervisors²⁶ of the Farmers' Associations ensure that

²⁶Farmers' Association Act No. 22 of 1967, para. 10 reads:
The Farmers' Associations Supervising Officer shall
in respect of the State in which he is appointed -

- (a) advise Area Farmers' Associations and State Farmers' Associations in the State on the activities of such associations;
- (b) co-ordinate any scheme or schemes carried out by Area Farmers' Associations in the State; and
- (c) inspect and supervise the activities of Area Farmers' Associations and State Farmers' Associations in the State.

rural capitalists, especially landlords and moneylenders, do not become directors²⁷ of Area, State or Federal Farmers' Associations?

One comment that seems relevant to the general analysis of this paper is that, in establishing the Farmers' Association, at least one part of the Government seems to have realized the need for institutional changes in marketing and credit so as to create incentives for the adoption of the subjects taught in extension programmes (i.e. technical change).

IV. EVALUATION OF AGRICULTURAL DEVELOPMENT

A preliminary assessment of the Plan, as it was conceived in 1965, and a brief review of the highlights of implementation through to the middle of 1968, should provide a fairly objective picture of (a) the objectives to be achieved by 1970 and (b) the unanticipated problems that are being dealt with during the plan period.

The direct effects of any implementation in the fields of education and research are unlikely to contribute substantially to the solution of the main problems of agricultural development during the current plan period. The objective results of such implementation may affect trends through the 1970's.

'Diversification' has become a mystical word. Its connotation include the extension of areas of existing crops that are at present relatively less significant as well as the introduction of new crops.

²⁷ Ibid., para. 12.

However, any diversification is subject to the categorical imperative that applies in any crop selection exercise. The enterprise must not only be economical, i.e., there is a net surplus of returns over costs, but this net surplus must appear more attractive than the net surplus that could be obtained from any other feasible agricultural enterprise.

Subsidies are provided by Government for replanting and new planting in the rubber industry. Since these subsidies are offered for new planting of other perennial crops on old rubber land it is hoped that some diversification will occur in this way. In addition, intercropping is expected to result in the increased production of certain food crops.

Currently, the diversification is thus somewhat neutralized by replanting schemes on rubber land where planting materials have provided yields per acre per annum five to eight times greater than the original trees planted before World War II. In the case of rubber, improved methods of harvesting, processing and husbandry have greatly reduced the costs of production and improved production quality so that returns per acre or per unit of capital invested may still be competitive with other crops even if the price of rubber continues to fall.

A replanting scheme also exists for coconuts. Small farmers whose land happens to be within designated project areas can expect to benefit from assistance in the cultivation of such crops as oil palm, fruit, banana, maize, groundnut, cashew nut, pineapple and coffee in addition to coconuts.

While the administration and extension bottlenecks may become tightened as a result of the financial stringency, it is more likely that the poverty and the institutional framework of the rural socio-economy will be the most difficult obstacle to agricultural or rural development.

In this respect planning and implementation seem to consist more in the utterance of pious intentions and wishful clichés rather than in the positive determination to reconstruct or reform institutions associated with tenancy, credit, marketing or rural labour.

What needs to be done and why?

At the very least the system of incentives must function effectively so long as agriculture is not to be operated on a national or collective basis. That is to say, if the Government can demonstrate that by the adoption of a new method or new crop the farmer can gain the major proportion of the net increase resulting from the adoption of the new method then that farmer will be keen to adopt the new practice. At present it so happens that the system of marketing is dominated by monopsonistic operators, i.e. the monopolistic-monopsonistic or M-M system for the major agricultural products.²⁸ The system of tenancy is dominated by relatively well-off rural people or by absentee landlords. In addition, the system of credit is dominated by both of these classes in addition to the more specialized moneylenders and pawnbrokers. These dominating rural exploiters are

²⁸U.A. Aziz, 'Poverty and Rural Development in Malaysia', Kajian Ekonomi Malaysia, Vol. 1 No. 1 (June 1964), pp. 83-86.

the groups who are likely to be in a position to take away any gains that will result from the adoption of new practices by farmers.

Because the farmer knows this, he has no incentive to adopt the new practices.

In addition, there is a noticeable trend for farmers to lose the ownership of their land as well as other capital items such as equipment, livestock, buildings and some standing crops, to the rural capitalists. In agricultural land ownership this can be discerned from the increasing concentration of ownership and the tendency towards agglomeration.²⁹ Generally, the net result of this trend is the 'decapitalization'³⁰ of farmers.

²⁹U.A. Aziz, 'Concepts of Agglomeration and Consolidation and Related Research Methodology'. Paper for FAO Centre on Principles and Policies of Land Settlement for Asia and the Far East, Inginyagala, Ceylon, 14 November - 5 December 1958. Briefly, the concept of agglomeration covers the accumulation or concentration of ownership of pieces of land in the hands of non-farming individuals (rural or urban) who have their many pieces of land scattered about the rural areas rather than close and contiguous as would be the case of consolidated farm lands. The scattered effect coupled with a concentration of ownership are the two main criteria in the concept of agglomeration.

³⁰U.A. Aziz, 'Poverty and Rural Development in Malaysia', Kajian Ekonomi Malaysia, Vol. 1. No. 1 (June 1964), pp. 85-86. Briefly, decapitalization describes the tendency for M-M operators including traders, moneylenders and landlords to obtain ownership of capital items, originally in the hands of the rural farmers and workers. The process is operated through provision of credit or advances to the rural producers. When they are unable to make repayments of interests or principal then the rural capitalists take their tools, livestock or other capital items and land as forms of repayment. High rates of interests and the possibility of undervaluing items enhance the process in the eyes of the rural capitalists. One object of economic development is capital formation by rural producers. Decapitalization describes how such capital formed by the rural producers is transferred to traders, etc.

When farmers have to borrow at rates of interest of 100 per cent or more it is not economically feasible for them to 'invest in agriculture'. The credit they get is used for consumption. It is seasonal credit, often taken upon the security of the standing crop and sometimes paid for in man-days of labour worked on the land of the moneylender. The cooperative movement has not been able to provide more than 10 per cent of the seasonal requirements of padi farmers let alone the other farmers.³¹ No satisfactory credit agency exists to cater for the medium-term or long-term needs of the farmers.

In marketing, the Federal Agricultural Marketing Authority (FAMA) which was established on 30 September 1965, has so far only been able to cater for padi sold by farmers in the main padi area of the State of Selangor. In this area only 8 per cent of national output is produced. In 1968, FAMA has taken over the administration of permits and licences for padi millers and buyers in the other important padi-producing States. However it remains to be seen whether (a) farmers will receive better prices for their harvest and (b) when they will become more favourably motivated towards modern technology as a result of this.

Legislation to protect tenant padi farmers was first enacted in 1955. Although this law required all agreements between tenants and landlords to be made in writing and to be registered with a state official the law was completely ignored by the landlords and the State

³¹U.A. Aziz, 'Cooperation and National Development', Kajian Ekonomi Malaysia, Vol. IV No. 1 (June 1967), pp. 20-29.

Governments concerned. The limiting of rent levels and the provision of security to tenants was thus never achieved. Thirteen years later a new law was enacted and it remains to be seen whether this law, the Padi Cultivators (Control of Rent and Security of Tenure) Act No. 43 of 1967, which was given the Royal Assent on 26 September 1967, will not wither in the wilderness of fine-sounding but unenforced social legislation.

Perhaps the point has been reached in this discussion where the political aspects of agricultural development can be considered.

As a first step this writer wishes to behead the notion that farmers will not change (i.e. they are reluctant to adopt new techniques or new institutions) either because they have a conservative outlook or because they are 'lazy'.³²

This notion of the lazy or conservative tropical native is a poor rationalization that has been served up from the earliest times under the colonial administration whenever it attempted 'to do something for the natives' and failed. To put the matter briefly — there is no objective evidence of the alleged laziness of farm workers in Malaysia. Indeed social scientists who observe at first hand the rubber tappers going out to work before dawn and the fishermen leaving in their boats at 2 a.m. realize the long hours that these workers have to toil.

³²U.A. Aziz, 'Poverty, Proteins and Disguised Starvation', Kajian Ekonomi Malaysia, Vol. II No. 1 (June 1965), pp. 25-27.

Ploughing with a buffalo or transplanting padi seedlings is back-breaking work. It causes a much greater strain physically than tightening bolts in an assembly line in a factory or writing exhortations to hard work in an air-conditioned office. For his age, his body-weight and his nutritional intake, the Malaysian farmer, be he of Malay, Chinese, or Indian origin, has a work output that fairly matches his capacity. He is not lazy. He may lack opportunities for employment and he may not be able to afford a diet adequate in proteins. However, in relation to what he can do in terms of his own capacity and the opportunities offered by the environment, considerable evidence exists to show that he does his best. Certainly there is no evidence of wasted labour capacity or of lost employment opportunities.

As for the myth that the farmer is conservative, the objective evidence of his eager adoption of such innovations as the bicycle, transistor radio, education for girls, chemical fertilisers or imported foods, is easily observed by even a casual visitor to any farm area. The permissiveness in allowing women-folk and especially teenage daughters to ride bicycles, have their hair permed or participate in youth-club activities, is a further demonstration of the 'progressive' outlook of farmers in rural Malaysia.

Nevertheless, there are genuine obstacles to development. Some arise from the social organization of the typical farm village or kampong. At this stage of the national evolution the influence of the traditional elite is being continuously weakened by new elites.

These new elites include the schoolmaster, the policeman, and the land registration official. These persons form part of the apparatus designed to bring the benefits of government activities to the kampong. The more articulate teacher tends to become the writer of petitions to ministers, letters to newspapers, etc. The policeman represents the sanction of law and order: he registers births and deaths. The land registration official is not only the channel for transfers of ownership that arise from sales, inheritances or gifts but he can cause the loss of land ownership rights if land taxes are not paid. To this group must be added the new young men who have travelled outside the kampong for purposes of education, employment, military service, etc. During the last decade there have arisen the serrated legions that constitute the hierarchies of the political parties from the local bean sprouts up to ministers of the Central Government.

This redistribution of influence between the traditional elites and the new elites is a disturbing and unsettling emotional experience for the rural people. In the past they have been able to go to one person or a few persons, to seek a solution to their personal, social, political or religious problems. Power was concentrated in the hands of a village leader (penghulu or ketua). Today there are numerous power-sharers. Furthermore, with routine transfers of state officials from one district to another, fluctuations in electoral popularity and internecine struggles within party hierarchies, there is considerable turnover of the individuals who

play various roles of authority vis-a-vis the rural folk. Thus, the peasants become anxious and confused, as Confucius has stated, in another context, '... people will not know where to put hand or foot'³³ In this case the insecurity of the hand and the foot may be taken in a literal sense.

This topic leads to the difficulties that arise in the political sphere. Not only is it true that Malaysia is a multi-racial country where the Malays constitute 50.2 per cent of the total population of West Malaysia³⁴ while the Chinese form 35.5 per cent and the Indians and Pakistanis 11.1 per cent, but it is even more significant that a certain amount of ethnic specialization has taken place in rural marketing and rural credit.³⁵ While the agricultural workers consist of all the main ethnic groups, those in padi farming are mainly Malay while the majority of the rubber plantation workers are Tamil-speaking groups. There are many Chinese rubber farmers. Chinese farmers also are responsible for farming more than 10 per cent of the padi land.

³³ '則民無所措手足', Analects, 論語,
Book 13, Sentence 6.

³⁴ Estimated population for end of 1966 can be found in the Monthly Statistical Bulletin of West Malaysia, op. cit., Table 1.1.

³⁵ Ref. 'Financing Agricultural Production and Marketing', an unpublished paper by U.A. Aziz, presented at the Seventh SEANZA Central Banking Course, Ceylon, 3 July - 14 September 1968 (50 pages).

There is, however, an exclusive ethnic concentration of Chinese among the padi millers, rural traders and especially the M-M operators. In their view these Chinese traders feel that they are confronted with two dangers. Firstly, there is the desire of other ethnic groups to enter their trading domain and to share in their monopsonistic profits. Secondly, there is the menace of institutional reforms that would eliminate the M-M system and replace it with a state marketing authority.

While the first challenge may literally be bought off in a number of ways, the second can only be neutralized or eliminated by weakening the will of the people and the Government to carry out institutional reforms. This will-sapping strategy may take the character of a two-pronged pincer attack. On the one hand, by a series of adroit manipulations in the flow of supplies, price movements, transport or processing facilities, the producers and the ultimate consumers and certain involved branches of Government can be rendered into a state of frustration and anxiety by unaccustomed and inconvenient swings in the flow of supplies, the level of prices, etc. An opinion is created that the state marketing authority has mismanaged its task. The image is created of bureaucrats who are harrassed by inflexible rules and infested with redtapeworms. By contrast, the private enterprise operator (i.e. M-M trader) is seen as a smiling, smooth and efficient operator exuding the spirit of public service.

Incidentally, the M-M operators, millers etc. are backed by powerful banking and financing interests who provide the main sources

social or political aspects of such development. If developmental instrumentalities have been slow in coming into existence or rather ineffective in their impact on the level of rural incomes some of the reasons for these 'non-results' are to be found in the effectiveness of the strategies discussed in this part.

V. THE EFFECTIVENESS OF DEVELOPMENT

It is understandable that any national development plan will contain some elements that share the hallucinatory philosophy of the branch of modern art known as 'op-art'. That is to say, what is stated and what is 'seen' by the observer, may be different. This difference allows several observers whose political or economic philosophies may be different, to appreciate the same statement with equal satisfaction. Notwithstanding this mild impediment the trend of implementation of a government's developmental efforts can be examined fairly objectively.

It is not the intention in this paper either to evaluate individual projects or to comment on the balance of effort or resources between projects. There are many published and unpublished confidential reports about such matters. This paper is concerned with the general pattern of agriculture and its relation to economic development in Malaysia.

For example, it seeks to examine whether the present patterns of trends of developmental activities will bring about rising real farm

incomes. It tries to examine whether sufficient resources are being directed towards research and training so as to be able to identify and solve the problems of agricultural development more expertly and more expeditiously than has been the case in the past half century or even the past decade. Finally, it must examine the extent to which institutional changes in marketing, credit and tenancy which are implemented or planned, are adequate to arrest the negative trends of decapitalization, agglomeration, exploitation and atrophy of incentives. And, positively, has there been created a spiral of cumulative interactions that can be called agricultural development?

Between 1963 and 1967 the Gross National Product increased³⁶ in the following order:

1963	1964	1965	1966	1967
(\$ Millions)				
7,513	7,960	8,776	9,344	9,713

The growth rate for 1966/67 was 2.9 per cent.

Malaysia's relatively affluent appearance conceals two weaknesses. Firstly, there is the commitment to rubber which is fantastically excessive. Secondly, while parameters of per capita

³⁶Bank Negara Malaysia Quarterly Economic Bulletin, Vol. 1 No. 2 (June 1968), Table 29, p. 58.

income³⁷ may put Malaysia high on the scale of developing countries, in fact, because of the substantial inequality in the distribution of personal incomes especially in the rural areas and the substantial outflow of income abroad, the Malaysian farming community is not really much better-off in terms of real consumption levels than similar padi, rubber or coconut farming communities in the other parts of Southeast Asia, wherever conditions of security are also comparable. Indeed the relatively high per capita figure tends to sustain the illusion that the real problem of raising rural income levels or rural productivity is not so critical.

³⁷The per capita GDP for various countries in the Asian and Far Eastern regions are:

<u>Country</u>	<u>1965 Per Capita GDP</u> <u>(US \$)</u>
Burma	60 (1964 figures)
Cambodia	120
Ceylon	137
Hong Kong	305 (1963 figures)
India	92
Indonesia	82 (1963 figures)
Japan	813
<u>Malaysia</u>	<u>272</u>
(Malaya)	(280)
(Sabah)	(259)
(Sarawak)	(205)
Philippines	237
Singapore	529
South Vietnam	119
Taiwan	200
Thailand	113

Source: 'Per Capita Gross Domestic Product, Expressed in US Dollars', United Nations Yearbook of National Accounts Statistics, 1965, Table 7A, p. 727, New York, 1967.

Since institutional reforms in the fields of marketing, credit and tenancy affect the articulate and influential political groups who themselves are often members of the vested interests, such reforms are slow to enter the arena of public discussion or become the object of large-scale research, draft legislation, etc. Even when the necessary laws are passed by Parliament, substantial periods lapse while the machinery for implementation is assembled. In the ensuing stages of implementation the need for amendments to the laws and for improved planning and coordinating machinery tend to postpone the final stage when the farmers receive the real benefits in terms of better prices, lower rents or security of tenure or cheaper credit. In between the will and the welfare lies a long period of anguish, frustration and disappointment. A Great Wall, buttressed by vested interests stands between intention, however sincere it may be, and implementation that is really effective.

It may be asked: 'To what extent can foreign experts and visiting scholars play a role in helping to define and explain the institutional aspects of development?' By the very nature of their national origins and social backgrounds most foreign experts and research workers are more inclined to advocate technological innovations in preference to institutional innovations.

Administrators take their cues from the politicians. If there are no elites who are able to make the politicians aware of the nature of the institutional reform gaps, then both the administrators and the politicians tend to remain in a rosy euphoria of blissful

ignorance.

It is easy to see from the case of Malaysia that concrete projects are more attractive than institutional reforms. They are preferred for a variety of reasons. Rural roads, agricultural schools, high-yielding disease-resistant seeds, all involve physical items that can be touched, seen and photographed. It is believed by the politicians that such things convince the people that the Government is working for their development.

Such schemes can often be expedited as a prelude to certain critical political events such as elections.

On the other hand, projects like agrarian reform or marketing boards often require hard knowledge about rural incomes, the supply schedules for rural products, or the market behaviour of farmers, and this knowledge is generally scarce. These agencies require levels of administrative competence and commercial acumen that are rarely found among the civil service elite, especially the older generation of officials who lack specialized training.

Once these agencies are established, they are attacked overtly and covertly by rural capitalists who see their wealth threatened by the smallest success of even pilot projects. Corruption³⁸ is a redoubtable menace to all projects involving large turnovers of commodities and cash balances. The political matrix in Malaysia which reflects the ethnic balances tends to overshadow the real confrontations

³⁸See, 'Corruption - Its Causes and Effects', in G. Myrdal, Asian Drama, ch. 20, London, 1968.

between the farmers and the rural capitalists without reference to community.

This complex of obstacles is perhaps the most serious hindrance to agricultural development and economic development.

It is the thesis of this writer that without a proper set of institutional reforms, carried out simultaneously, then all the technical changes will fail to create a trend of rising real farm incomes.

If however, resources and power are inadequate for implementation on a nation-wide scale then initially the implementation could be carried out effectively in a limited area and subsequently extended in strategic phases.

If the problem is viewed optimistically, then it may be accepted that hitherto unknown emphasis has been given to training local personnel up to the highest academic levels during the past few years. It is these natural and social scientists who will be able to identify correctly and solve expertly, the problems of agricultural development. During the next few years, research in agriculture and in rural development will probably be considerably reorganized. Besides an expansion of staff and funds in the Ministry of Agriculture, new public authorities may be set up and they will concentrate on special aspects of agricultural development. It is possible that results comparable to those achieved in rubber³⁹ may be attained at the

³⁹ Cf. the Annual Reports and other publications of the Malayan Rubber Fund Board and the Rubber Research Institute of Malaysia.

end of a decade or so.

It is also likely that the University will be involved to a greater degree in research and specialized training. It is perhaps worthwhile a one-sentence digression to pose the question: 'Why has this realization of the need for highly qualified and experienced specialists as well as the need for intensive research come so late in the national history?' The writer's answer must be found in another paper but the knowledgeable reader is encouraged to speculate for himself.

Land settlement projects have been mentioned⁴⁰ as a method for solving the problem of the increasing number of landless persons in the rural community. The trend towards landlessness (i.e. the increasing number of rural workers who do not own farm land) is mainly the result of three separate but interacting forces.

Firstly, without taking settlement schemes into account, the rate at which the rural population is increasing is considerably greater than the rate at which new land is being opened up in the settlement.⁴¹ Although there is some urban drift of rural youth the rate of expansion of rural employment opportunities is insignificant. The mentality of the rural people is such that they consider land as the most desirable input to work with, and if possible, to own.

⁴⁰Cf. page 18 above.

⁴¹Rates of natural increase in Monthly Statistical Bulletin of West Malaysia, op. cit., Table 2.1: Malays 32.7 per thousand and Chinese 26.8. If Malay rural population in 1966 is estimated at 3.7 millions then the net increase for this community, of which 90% is rural, is 124,000 persons per annum.

Secondly, there is the unceasing subdivision and fragmentation of farm lands because of the system of inheritance of land owned by the bulk of the rural people who are Muslims. Small, irregular-shaped pieces of land are constantly being offered on the land market. They are bought as a form of keeping savings without consideration of farm consolidation.⁴²

Thirdly, rural capitalists, absentee landowners and other interests who have become wealthy since Independence are buying up rural land. This creates a tendency towards concentration of ownership and at the rural level the concentration is of widely scattered pieces. This concept is termed agglomeration.⁴³

To meet this problem the Federal Land Development Authority has been established. According to the First Malaysia Plan⁴⁴ at least 65,000 families⁴⁵ will need to be settled by 1970. While the FLDA has other purposes besides the absorption of the landless rural population, it is useful to get a glimpse of the magnitude of the problem involved.

⁴²See Federation of Malaya Cmd. 22 of 1962, Report of the Pilgrims' Economic Welfare Committee, Appendix I, 'Pilgrims' Economy Improvement Plan' by U.A. Aziz, pp. 25-27.

See also U.A. Aziz, 'Some Aspects of the Malayan Rural Economy Related to Measures for Mobilizing Rural Savings', a paper presented to the Economic Commission for Asia and the Far East (ECAFE) Committee on Industry and Trade, Working Party of Experts on Mobilization of Domestic Capital held in Bangkok, 20-23 November 1951.

⁴³U.A. Aziz, 'Concepts of Agglomeration and Consolidation and Related Research Methodology', op. cit.

⁴⁴Op. cit., p. 117, para. 332.

⁴⁵This is equal to about 323,000 persons.

Ninety per cent of the Malays live in the rural areas and they make up the bulk of the rural population. During the five-year period, 1961-1965, their net increase is estimated at 576,000 persons. In all its schemes since 1960, the FLDA has settled 82,100 persons on 184,000 acres of land.⁴⁶ Even if it can considerably increase the rate of its ability to settle landless rural population, the FLDA is still unlikely to be able to deal with more than one-fifth of the problem of Malay landlessness.

It is clear that other measures will need to be taken to counteract the trend of the increasing number of landless people. There is also the need to increase the level of employment opportunities open to unemployed and underemployed workers in the rural areas.

Finally, the pace of institutional reform may be examined. Four main areas of institutional reform are considered: credit, land tenure, tenancy and marketing.

As yet there is no state-sponsored rural credit organization. Cooperative credit organized on the Raiffeisen system supplies annually about 4 per cent⁴⁷ of the total credit provided by all sources to the farmers. State-sponsored provision of other forms of credit are insignificant. The farm population has to depend on credit from private sources which include the moneylender, the pawnbroker, the landlords and the M-M operators. Rates of interest are in the region

⁴⁶Appendix, p. 60, para. 375.

⁴⁷U.A. Aziz, 'Cooperation and National Development', Kajian Ekonomi Malaysia, Vol. IV No. 1 (June 1967), p. 23.

of 50 to 100 per cent per annum. Although a number of expert studies and reports on rural credit have been made to the Government, no rural credit organization has been established notwithstanding the fact that Independence was celebrated a decade ago.

Regarding land tenure, the National Land Code (Act No. 56 of 1965), among the many important provisions of the code there is an ineffectual attempt to deal with the problems of subdivision and fragmentation.⁴⁸ It has recently been reported that a separate law to restrict the subdivision or break up of rubber estates is being drafted. Such specific legislation was recommended in a Majority Report of a Government Committee which considered the problem of subdivision in 1963.⁴⁹ This step has taken five years.

A law for the protection of tenant padi farmers was heralded as a radical measure in 1955. Although a number of States went through the motions of adopting it, de facto its provisions were ignored. In 1967 a new Act⁵⁰ was passed by Parliament. This Act received the Royal Assent in September 1967. It will probably take another year or two before it is implemented. It is noteworthy that in the new Act the Minister for Agriculture and Cooperatives is given the designated powers under the Act. However, as in the case of the

⁴⁸Malaysia, National Land Code, No. 56 of 1965, Part IX.

⁴⁹U.A. Aziz, Report on the Subdivision of Estates in Malaya, 1951-1960, 3 vols., Kuala Lumpur, Department of Economics, University of Malaya, 1962, and Majority Report on the Subdivision of Estates Committee, Federation of Malaya, Cmd. No. 29 of 1963.

⁵⁰Padi Cultivators (Control of Rent and Security of Tenure), No. 43 of 1967.

previous Act the law comes into force only when a State Authority so decides. This Act contains a number of features that could give the tenant farmers incentives to adopt better husbandry, etc. The political influence of landlords generally at State and local levels may render even this law impotent. It is also regrettable that the Act does not apply to tenant farmers cultivating crops other than padi.

The system of marketing absolutely and directly determines the level of farm incomes and the effectiveness of incentives to adopt modern technology in agriculture. Therefore institutional reforms in marketing are unavoidable if farmers are to be motivated towards increasing adoption of modern technology and if they are to receive larger (and more equitable) shares of the price paid by the ultimate consumer of their produce.

The establishment and the eventual active operation of the Federal Agricultural Marketing Authority in the field through the Padi Marketing Board was one of the most radical steps ever taken by the Government in its rural development programme. The history of the counteraction by the M-II operators, padi millers and banks is yet to be published. Since the parties concerned are entwined in the struggle right at this moment it is difficult to predict the ultimate outcome. Whatever may be the final result, a constellation of reforms orbits at different levels around this innovation. If it is liquidated in a nova then it will be very difficult to carry out other institutional reforms. The character of the struggle between farmers and rural capitalists will then turn towards nationalist or less rational

and more emotional issues. This may have deleterious side effects on the whole process of economic development in Malaysia.

The experience of the four instances of institutional reform discussed above may be summed up with the conclusion that investigation, reflection and legislation are preparatory stages that normally tend to involve fairly long periods of time. Implementation is weakest at the State Government level and strongest at the Central Government level. It is best when it is carried out by a public corporation in preference to a government department or Ministry. Even when resources of money and manpower are adequate the counter-attacks from the established trading communities in the rural areas seem to be quite strong, to say the least. On the side of the Government, the lack of experience of struggle in this type of arena is a definite weakness. Another weakness is a general preference, almost at all levels, to consider agricultural development and even economic development as being something largely to be achieved by the establishment of concrete things rather than by the creation of more subtle institutions.

The paper will be concluded with a brief reference to economic growth and agricultural development in Malaysia. If there is agricultural development, a priori there should be economic growth. However, agricultural development includes not only the notion of increasing productivity but also the reform of agrarian institutions.

At the beginning of this Part, it was suggested that conclusions should be reached on three matters. Firstly, would the developmental activities now being carried out lead to rising farm incomes? Secondly,

are the resources diverted to training and research adequate? And, thirdly, are the institutional changes, implemented or planned, sufficient to neutralize the tendencies of decapitalization and exploitation and also create a positive spiral of cumulative interactions leading to progressive agricultural development?

It does not seem that what has been implemented so far will by itself bring about a trend of rising rural incomes. The development programmes, with such objectives as diversification, settlement of the landless, or autarchy in rice may have indirect effects on incomes but they are not likely to contribute directly to a rise in average rural real incomes during the next five years.

Many of the physical development projects such as roads, water supplies etc., will only make certain aspects of life more comfortable for the rural people. They will not directly raise incomes. Some projects such as the construction of mosques or community centres will mainly serve to make the donors more popular. They will have very little effect on income, in any way.

The only institutional change that can and has altered the slice of the cake shared between the farmer and the rural capitalist is to be found in the Federal Agricultural Marketing Authority (FAMA). Padi farmers in one area (Tanjong Karang, Selangor) which produces about 8 per cent of the national output have received better prices for their product. During the remaining years of the Plan it does not seem very certain that FAMA will be allowed to operate effectively on a large-scale especially in the important padi producing States of the

north. It is also doubtful as to whether some kind of state-organized rural credit agency or rural bank will be operative until the 1970's, if at all.

It is difficult to be optimistic about legislation to protect tenant farmers. In any case the new legislation is again unlikely to be effectively implemented until the 1970's. Furthermore this legislation does not give protection to the large number of tenant farmers in rubber, coconut and other products.

It is difficult not to conclude that the trend of rising farm incomes may not be even feasible until the mid-1970's. And by then, institutional changes may be too late to bring this about as world market prices of the commodities concerned may well have fallen too low. Another negative influence to be borne in mind in this connection is the trend of worsening terms of trade between raw material exports and imported manufactures.

Regarding the provision of increased resources for training and research in agriculture, progress is impressive. However this trend started very recently. It will only be influential in the mid-1970's. Furthermore, a considerable amount of re-thinking has to be done regarding the initiation of similar trends of emphasis on research and training in all the other branches of Government that are concerned with agricultural development, rural development and national development.

Two items urgently needing major decisions can be selected. There is the general need to create a pool of highly specialized,

trained talent, and to use this pool effectively. Secondly, there is the need to merge the multifarious developmental agencies into one coordinated body within the purview of one Ministry that can give coherent and inspiring leadership. There is a need for something more effective than voluntary coordination through interdepartmental committees, etc. There must be able leadership which will firmly direct the agencies to carry out their given roles within the Plan. As it is at present, there appear to be symptoms of hyper-proliferation of instrumentalities together with frustration among some specialists who are either thwarted or ignored by some politicians who have come into authoritative positions.

Regarding the neutralization of the forces of exploitation and the creation of a positive spiral of development, what has been said above provides the astute reader with an answer that is self-evident.

Some steps have been taken. An increasing number of specialists are being trained, some fresh agencies may be created to accelerate the pace of research so that results comparable with those obtained in rubber can be achieved for the whole rural economy. Some institutional innovations are in draft form while others have become law. Other innovations are being implemented on a limited scale.

Taken as a whole, it is difficult to say that all this will be sufficient to stop the trends of decapitalization or exploitation or the atrophy of incentives. Despite these concrete proposals for the 1970's the spiral of cumulative interactions that can be called rural development must yet remain a mirage.