



# **Seminar on "Problems and Prospects of Rural Malaysia"**

22-26 November 1985

AN OUTLINE OF CRITICAL ISSUES IN THE  
TRANSITION TO ALTERNATIVE RURAL DEVELOPMENT  
IN MALAYSIA

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by

KHOR KOK PENG

Research Director

Consumers' Association of Penang



CONSUMERS' ASSOCIATION OF PENANG  
87 Cantonment Road,  
Penang, Malaysia.

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Given the complexity of the rural and agriculture problem in Malaysia, I will not be able to provide definite solutions. Instead I would like to present a listing of the many key issues which need to be considered if we are to move forward from the present situation to an alternative model of rural development.

Firstly, let us summarise the problems in rural Malaysia. We have seen that despite growth in the overall economy, and substantial amounts of money pumped into rural development, there is still a high degree of poverty in the rural areas. This poverty is linked to a high degree of inequality located at the international, national and local levels. There is also the clash between the modern and traditional modes of production, with rural communities being threatened by superior technological or economic forces or by environmental and resource factors. There is also the question of employment: the inability of agriculture presently to absorb the rural labour force and the lack of capacity of the urban sectors to satisfactorily provide jobs for rural-urban migrants. Related to this is the nature of technology: what is its appropriate scale and quality? Finally, we note that the world economic crisis is having a more and more serious effect on the Malaysian rural areas, thus bringing many of the problems and contradictions in the rural areas to a head. It is thus an appropriate moment in the nation's history to objectively assess the problems and think seriously about alternatives. This paper should be seen as a contribution towards the difficult search for answers. Before proceeding I would like to list down certain assumptions and criteria for what I would consider a more appropriate alternative model for rural development.

Firstly, rural development should improve the income and living standards of rural people, particularly those at the bottom layers of the income pyramid. It should have a bias towards eradicating poverty; and towards the fulfilment of the basic, human and spiritual needs of the people.

Secondly, rural development should not widen the existing inequalities of wealth and income, but should instead narrow the gap between the various classes, groups and individuals within the rural area. It should promote equity within the rural area. It should not lead to the exploitation of women.

Thirdly, rural development should narrow the gap between urban and rural incomes so that geographical or regional' disparities can be progressively reduced and eventually overcome.

Fourthly, rural development should be in line with a general policy of reducing the country's external dependence and promoting greater self-reliance in terms of marketing our produce, finance, investment and technology.

Fifthly, rural development should lead to a harmonious relationship between agriculture and industry, both within the rural area as well as between the urban and rural areas.

Sixthly, rural development should provide enough gainful employment for the rural population at least and possibly even for part of the present urban population which may in the future be unemployed in towns and thus have to shift to the rural areas. .

Seventhly, rural development should be in harmony with the environment, keeping in mind the long-term need for resource conservation and the disastrous consequences of the abuse of nature either through resource depletion or pollution of resources.

Eighthly, rural activities should not be harmful to the health of producers or consumers of the produce.

### **International Dimensions**

I have argued that substantial surpluses are lost to Malaysia, including the rural areas, as a result of the country's external dependence in trade, finance, investment and technology. The obvious recommendation here is for Malaysia to move away from overdependence on the world market towards greater self-reliance. This means producing less for the world market and more for the local market, relying less on foreign capital and finance, and developing our own technologies rather than importing capital-intensive and expensive technologies.

The critical issue here is, how much to withdraw from the world market and how much to retain our "dependence"? How self-reliant should we become, and in what time frame should the transition be carried out, and in what phases? Would greater self-reliance result in greater or less income to the country? Would it change the distribution and use of resources and income in a positive manner?

These are difficult questions to explore. It is easier to imbibe the rhetoric of self-reliance but much more complex to work out its details, as the example of countries which have tried the self-reliance model shows.

First on the list of issues is the choice of crops. Should we continue with the existing choice of crops, or move out of some export crops and if so into other export crops or into crops for local consumption either as production inputs or final products? To have an exact answer to these questions is impossible, since we would need to know the prices of the crops now and into the future, in order to calculate the potential income per area of land planted with the different types of crops. This is not possible because we are not able to foretell the prices of rubber, palm oil, cocoa and other export crops in the future. This is why governments are so slow to act to convert crops. Often a change of crops comes about only through sheer force of the market, for instance when the price of an export crop has sunk so low and for so long that farmers themselves carry out a change of crops, mainly to food. In the early decades of this century, Malaysian smallholders opened up new land for rubber and even switched from rice to rubber due to the high profitability of rubber. During the Great Depression of the 1930s, there was a move towards food production for reasons of sheer survival since the rubber price had sunk to low levels and demand virtually collapsed. Similarly, tin mine workers retrenched from the mines opened up state land and planted food crops for their survival. In the post-Second World War period, there was a return to rubber, tin and other export products due to the high growth of the world market which supported an expanding demand for the products. Although prices remained stagnant in real terms, productivity increased tremendously (in the case of rubber) so that export earnings could increase through a jump in volume terms even though prices did not rise very much.

My feeling is that the present world economic slowdown or crisis is going to last for some time, even a long time. In any case there will not be a return of the 4 - 5 per cent high trend growth rates in the rich countries. With resources rapidly depleting high growth is anyway unsustainable over the long run.

Given this crucial assumption of slow growth or even no growth in the world economy, I feel it is timely to switch as far as possible to crops that can be locally consumed. The first crop needing "switching" is obviously rubber, where the price is at historically very low levels in real terms, where there is a chronic oversupply in the world market, and where a recovery cannot be expected for a number of years. We should also seriously consider stopping the growth of oil palm, and even start thinking about "switching" it, given the current very low prices. Instead of switching to other export crops, as has been officially suggested, the obvious alternative would be expanding the area of food crop production, since Malaysia is importing \$3 billion of food annually. At present, it is possible that even rice may be more profitable than rubber per acre, and it is known that many types of vegetables and fruits are very profitable for farmers. Another sector which can expand is livestock and fisheries.

To carry out this exercise, we of course need to consider many factors, besides prices and incomes per acre of land. What is the local demand for food which is not yet satisfied? Will there be an over-supply problem on the local market? In that case, surplus food can also be exported. For strategic reasons, it is better to grow food for export (after local needs are met) than non-food crops for export. If non-food crop prices collapse, the impact on farmers and workers can be traumatic since they can't eat rubber. Even if export food prices fall, we will only be partly dependent on the world market since a large part of food would be locally sold.

Therefore I would suggest a switch from export crops to food crops in the future development of agriculture.

In relation to foreign loans, it was a mistake to have borrowed so heavily on the world market and it is now necessary to curb all future new loans, and existing loans should be used for genuinely developmental rural programmes. We should also not reintroduce increased dependence on foreign investment, nor continue to import foreign technology uncritically. There are substantial domestic funds available, as witness the large-scale capital flight and oversubscription of shares when there are new listings on the Stock Exchange. What is required is effort on the part of the government to channel such savings productively into the rural areas. If we also base out technological development on first identifying local technologies and then upgrading them and innovating on them, to satisfy the needs of small-scale farming, fishing and industry, then we will not require a lot of the modern capital-intensive technology which are imported for the use or benefit of big operations.

## **National Level**

Inequalities between regions and between urban and rural areas are largely caused by the net transfer of surplus from rural to urban areas. I have already listed down some of the mechanisms through which rural-urban transfer takes place.

Looking first at the public sector, taxes derived from farmers, fishermen and rural workers should be reviewed and reduced. For instance, rubber smallholders in 1979 were paying a gross tax of over 60 per cent of their net income, which is scandalously high.

Secondly, private sector surplus extraction from the rural areas for urban investments or even repatriation abroad should be reduced. The surplus as far as possible should be retained in the rural areas, and as far as possible by the rural producers themselves. This would imply the replacement of private middlemen in both rural and urban areas by organisations or cooperatives representing the rural producers themselves, so that they can increase the share of the price going to direct producers. Secondly, there should be a curb on new land given to urban dwellers: land should be alienated only to producers to curb the phenomenon of absentee landlordism. Rents on existing land should also be subject to maximum limits. These steps would help reduce the rural-urban flow of surplus. Moreover, small-scale rural industries should be set up producing basic goods for both the rural and urban population. This would help retain the flow of income within the rural areas as rural people switch from urban or imported products to rural products.

Thirdly, there should be a greater flow of national funds into the rural areas. Government expenditure is much too urban-biased, with too little allocation given either to productive activities or to basic social infrastructure such as water, electricity, health facilities, etc. A greater share of government expenditure should thus be channelled to rural areas, but we must also be sure that these funds go into projects that really benefit the rural poor. As we know substantial amounts of aid and development funds meant to eradicate poverty are "hijacked" at various layers before they reach the poor, thus reducing the net real amount going to the poor. These projects should also fall within our criteria, i.e. satisfy basic needs, use appropriate technology, be in harmony with the ecology, etc since 66% of the population are in the rural areas, at least 66% of government spending should go to rural areas. I would go even further: since 86% of the poor in Malaysia live in rural areas, at least 86% of the government expenditure should go to rural areas.

Another reswitching required is the flow of private savings. At present only 6% of bank loans go to rural areas. The banks should be pressured to increase the share of their loans to agriculture. I do not mean that loans should be given even for unviable projects, but even this should not be taken as a point against rural loans for after all almost all the "bad debts" running into billions of dollars accumulated by the banks were given to urban areas and even to Hong Kong.

There are I believe sufficient viable projects in agriculture and among the small farmers and fishermen and in rural small industries which can absorb a large portion of bank loans.

For a start, government should put a stop to all luxury and prestige projects and also review all projects which do not directly and really benefit the rural poor. Too many billions of ringgit have been wasted in the production of white elephants of skyscrapers and sea-crossers and motor-highways. The funds for these projects, if properly spent in the rural areas, would have substantially reduced poverty. Government must also stop private projects which take over or destroy the resources of the rural and agricultural sectors.

### **Within the Rural Areas**

Coming to the rural structures themselves, we first need to examine the capitalist export sector. The wage rates in plantations are outrageously low and have been so for past decades. It is inexcusable to allow wages today to fall below their levels prevailing a decade or two ago, especially since the profits have been so lucrative and the share of value going to workers has been so paltry. For tin mine workers and estate workers who have been and will

continue to be retrenched due to the commodity price crisis, the government should lease them land to use to plant food crops. The money for opening up the land can come from a retrenchment fund to which the estates and mines should be required to contribute. In this manner there will be no loss of employment and it would be part of the switch from exports to production for the local market.

In the peasant sector, the major problems remain land, marketing and credit. The present system of land alienation, land ownership and distribution is most unsatisfactory. Land is under the control of state governments and the State Executive Councils have full powers to grant land and licences for land use and deforestation. The procedures and criteria of such land awards are shrouded in secrecy and even more secret are the persons and companies given land and land contracts. It is well known that there have been tremendous abuses, such as were recently revealed during the state elections in Sabah in April 1985. This secrecy and lack of public accountability over land matters must end, otherwise more and more land could be given not to poor farmers requiring the land but to the influential groups, including politicians, bureaucrats and companies close to them. There have been suggestions from time to time that the federal government should take over jurisdiction over land to prevent abuses but one also hears counter-arguments that this would only centralise and concentrate abuses. What is required is an independent Land Council comprising members of the public with integrity to scrutinise decisions regarding land alienation. Such decisions should also be advertised through notice boards in towns and districts to allow public objections, as now exists in the less important case of land conversion and even registered marriages.

Still on land, some form of land reform should be considered. Suggestions which have been made in recent years in the case of padi include placing a maximum ceiling in land ownership, and land redistribution. One principle which should be upheld in changes in the land system should be that access to land should be given only to those who currently cultivate it, as in the "tanah hidup-tanah mati" system in pre-colonial days. Lands not cultivated should be given to those who wish to cultivate it. This would help to get rid of problems like idle land and absentee landlordism. For a start, however, legislation should be made and controlling the maximum permissible levels of rent, as well as laws protecting the rights of tenants. In the area of marketing and credit, a network of genuine farmers and fishermen's cooperatives should be established with real rural leaders and not bureaucrats or politicians in charge, efficiently managed, which can take over the role of the private middlemen and thus retain a larger share of surplus for the producers. This should start at the village level but progress to the wholesale market in small towns and even the distribution level in urban centres, in the case of marketing. In the case of credit, credit cooperatives can also be set up to overcome both the need for credit and the dependence on private moneylenders.

In these suggestions for land, marketing and credit reform, I realise the political constraints now in operation for those controlling these resources and facilities are well represented politically. It will also involve immense commitment and effort to initiate and maintain genuine cooperatives, for this involves committed community trainers or facilitators and the methodology of nurturing real people's participation. These problems can however be much more easily overcome than the problem of political constraints.

## **Agriculture and Industry Relation**

At present there are few domestic linkages between agriculture and industry as most agricultural produce is exported and most industrial products are either imported or circulated within the urban areas. To achieve greater linkages is important if we are to develop greater self-reliance *vis-a-vis* the world economy.

Firstly, agriculture should produce more food so that it can feed all the people within agriculture as well as in the industrial and other sectors. Agriculture should also play the role of providing more and more inputs into the industrial process, such as rubber, wood or timber for making household furniture. In other words, local resources should be harnessed for local use, and should not be exported as far as possible. Thirdly, the choice of industrial products, the location of industries and the scale of industries are also crucial issues. Just as agriculture should produce useful products (such as food) for local use, so too should industry produce basic goods which are required by the masses of people (such as household implements) rather than luxuries demanded by the elite. This means that the emphasis should be on light industries rather than heavy industry at the first stages of balanced agriculture-industry relations. These industries should be small scale in size so that they can be widely dispersed throughout the country, and particularly in the rural areas, rather than having a few capital-intensive industries located in urban centres. Thus, the rural areas will have their fair share of industries, and will thus participate in the industrialisation process. Thirdly, a substantial part of industry should be producing basic producer goods and social amenities required by the rural producers, including fishing boats and nets, farming tools and equipment required by small-scale industry itself. Thus industry also provides the simple capital goods required by agriculture and small-scale industries, thus generating more and more links between local agriculture and local industry. As the tools increase farm productivity, the incomes of farmers also increase, allowing them to increase their demand for light consumer goods and thus creating the demand base for the light consumer products. As this spiral continues, and light consumer items multiply, heavy industry can be built into the system as at this time there might be the demand required for heavier technology. In this way agriculture is built from the ground up, small industries are also built up and finally heavy industry may have its place to augment the efforts and needs of agriculture and light industry. Thus balance is achieved between agriculture and industry and between demand and supply, with the criteria of equity and basic needs being met. The use of small-scale industry widely dispersed also meets the employment criterion, since small-scale technology absorbs more labour per unit of capital spent. And since the small-scale industries will largely be located in rural areas, rural people will find employment in both agriculture and industry.

In this model, the gap between rural and urban areas and between industrial and agricultural producers could be narrowed as industries and thus employment can also largely be located in rural areas and not be the monopoly of urban centres. Of course, important points still to be considered will be the terms of trade between agricultural and industrial products. In a closed economy without world trade, this could theoretically be fixed as the level of prices which would allow agricultural and industrial producers roughly the same income. There will of course be all the complications to blur the simplicity of this suggestion: the mix between exports and local production, the balance between allowing free market forces and prices to be fixed by the government, the question of linking or delinking “productivity” of output with income (or how to evaluate the value of work between peasants and industrial workers: should the sole criterion be labour time expended?), the issue of whether this model relies

excessively on “moral incentives” or idealism and thus may not work since people may prefer being rewarded according to productivity.

These are the nitty gritty issues of detail which are so crucial to resolve if strength and practical realism is to give real muscle to the ideal concepts of self-reliance and balanced growth. Not enough thought or experiments have gone into these nitty-gritty so whatever is done in this area can be considered important pioneering work.

### **Environment, Resources and Appropriate Products**

The rapid depletion of world resources is having and will have very traumatic consequences on the economies of the world and each country, a fact which economists, politicians and the public have yet to realise. In Malaysia we have already abused, despoiled and depleted a lot of our land, forest, water and fishery resources. A conservation policy is now long overdue. Resources should only be used to produce products which satisfy the basic needs of people, otherwise they should be strictly conserved and whenever possible replenished and expended.

This principle will have a lot of implications for an appropriate rural development model. Luxury projects industries and products should be stopped or phased out. Deforestation should stop and pollution should be eliminated as far as possible. Again this is harder to implement than to state, due to ignorance and vested interests. Eventually ecological damage and resource depletion will have even worse effect than economic exploitation in causing poverty. An ecological approach to agriculture tied with equity should be adopted.

### **Appropriate Technology**

The adoption of an appropriate technology policy in agriculture is also essential. Technology is not value free, it has implications for equity, power relations, dependency, employment, etc. If we want balanced development – with urban – rural balance, with equity – then appropriate technology policy would favour the use of small and medium-scale technology using less of capital and more labour, dispersed throughout the country, with the scale, know-how and design controlled by producers or communities they live in. Such technologies already exist - in traditional fishing and food cultivation, sanitation and housing, traditional medicine, and simple consumer goods. Research and development should be focussed on upgrading and innovating on such technologies and techniques which our people already have but are now neglected by planners and scientists.

This does not mean we should completely reject modern science and technology lock, stock and barrel, though we realise that its uncritical adoption has wreaked havoc in developing countries. But we must select the positive elements of such knowledge for the innovation of traditional and small-scale technologies. The basis and foundation of technological development must however be such small-scale technologies to produce appropriate products.

### **Safe Practices and Products**

Another point to stress is that productive practices and products which are harmful to health, safety and the environment should be phased out and stopped eventually. This means we should adopt ecological methods of farming, should replace practices using dangerous chemicals and pesticides. Processes which are occupationally hazardous should be stopped as



far as possible. Of course we cannot eliminate occupational hazards since all activity has its degree of danger but man-made hazards (such as overworking of agricultural workers due to profit maximisation policies of a company) should be made illegal. Dangerous products such as tobacco should also be eventually forbidden.

### **A System of Balances**

In devising the strategies for appropriate rural development, we should adopt the methodology of attaining balances between different aspects or contradictions which now exist. Such an approach would recognise the present opposite or opposing components and try to resolve the conflict between them by converting them into harmonious aspects. We also recognise that the conversion of conflict to harmony, the transformation of imbalance to balance, will take time to achieve and so there should be phases in the transition from inappropriate to appropriate development.

In this approach, we have already identified the balances required in various relationships:

1. The balance between exports and crops for local market;
2. The balance between the urban and rural sectors;
3. The balance between agriculture and industry;
4. The balance of forces within the rural sector in land, marketing and credit;
5. The balance between modern and traditional technology;
6. The balance between harmful practices and products in production and the need for health;
7. Need for resource conservation and production.