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KELANTAN AND THE STATE ECONOMIC
DEVELOPMENT CORPORATION

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A study of development and the role of
KSEDC in Kelantan

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A graduation exercise to fulfil
parts of the requirements for the Bachelor
of Arts (Sociology) Hons. degree,
Department of Sociology

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PERTUTAKAAN
JABATAN ANTROPOLOGI DAN SOSIOLOGI

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PREFACE

This study is an academic exercise to acquire Bachelor of Arts (Honours) degree in Sociology, Department of Sociology, University of Malaya. In the preparation of this inquiry the writer had been fortunate to obtain many help, cooperation and moral support from many sympathetic people.

The writer have pleasure to acknowledge a heavy debt of gratitude to Dr. Syed Husin Ali, Lecturer of Sociology, Department of Sociology, University of Malaya, who had given constant support and invaluable advice as well as to be willing and patient to go through the manuscript in the course of the inquiry.

He is also indebted to all officers from KSEDG, EPU, Labour Office, and all those who had been generous and helpful in the completion of this study.

Department of Sociology,

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CHAPTER I

INTRODUCTION

The state of Kelantan has great potential in using more natural resources, labour power, more capital or all of these in rational combination to support her 'overgrown'¹ population on a higher level of living. Though endowed with many of these advantages she is yet unable to pull out from the stage of underdevelopment which has blanketed her for a long time. It is therefore the purpose of this study to try and look at development and its approach in Kelantan and to make an evaluation in the light of socio-economic discipline.

To make a thorough investigation on development as a whole in Kelantan is too ambitious to say the least, in this short and concise study, especially when there are many government bodies and agencies with meriads of functions. In this situation the writer feels adequate to pick Kelantan State Economic Corporation (KSEDC) as an example of an agency of development which represents social conscience.

Like the corporations in other states which have been established very much earlier, KSEDC (who entered the scene in 1966) also has to face many shortcomings. It therefore contains a challenge for this corporation to undertake its duty to the population considering the present weaknesses, the competition with private enterprises, interference of political interest, the vastness of area and the

(1) In relation to land alienated and resources and capital available.

ambiguity of concept in development.

These difficulties are ubiquitous in the underdeveloped and developing countries and thus part of the progress also mean reaching solutions to problems. It is common knowledge of course that the shortest distant between two points is a straight line. Upon this analogy the writer believes that to connect two honest points in development it also will be a straight line, even though it dissects 'interests' which are minor to the objective.

In Kelantan the process of development is central in structure. The state authority is the focal point of all bodies and it is from here that all policies are processed and directed. The flow of direction in development strategies and implementations, can either be favourable or unfavourable depending on the concept and attitude of the government.

AIM

Like any other states Kelantan also has been active and aggressive in her development schemes and strategies. Buildings and housing schemes in Kota Bharu (the state capital) are rapidly coming up; roads are built and other infra-structures are increased. Many projects and programmes were launched by the government to enhance and increase productivity. However amidst these activities poverty is rampant and the gap of disparity between the haves and the have-nots, the urban and rural areas, are increasing.

It is interesting therefore to trace and evaluate the quality of

development, the strength and weaknesses of the approach. The present economic policy may also lead to many social consequences and vice versa and the writer shall try to detect and diagnose these illness and propose remedies from the sociological point of view.

The central discussion and thesis of this study is to make an assessment of KSEDC as an agency of development; as to how far it is successful in its duties, its aim and objective. The writer shall also try to analyse the economic and social implications of the corporation strategies and approach to development.

At present the activities for progress is very much urban-orientated and this brings many repercussions, which further will aggravate the condition of the poor masses. It is therefore the purpose of this inquiry to show the importance of social consideration as a priority in schemes and projects for the progress of a society.

METHODOLOGY

The writer had been fortunate to be given the opportunity to obtain and analyse records, reports and literatures on activities and achievements of KSEDC. The officers and personnel in the corporation had been helpful and friendly enough to render services wherever possible in their sincere effort for the writer to complete the inquiry.

In April 1974 the writer made several sea trips between Tumpat and Pulau Perhentian with the fishermen who manned the corporation's trawler boats. These instances gave the writer the possibility to

survey the fishing market, the efficiency and productivity of the scheme and to get acquainted with the fishermen and the officers in charge. The writer also stayed for a week with a relative who is a fisherman at Dalam Ru, a fishing village in Semerak area which is roughly about ten miles from Pasir Puteh town. This experience provided closer range of understanding of the fishermen's life, their economic and social problems.

Many datas and vital statistic were also obtained from the Department of Economic Planning Unit Kota Bharu. From the reports and records provided by their officers, the writer was able to fill many important gaps in the study. Some of the officers were friendly enough to help in obtaining important materials from Statistic Department and other sources.

On interviews with some of the officers and personnels of KSED, EPU, Civil Servants and other Departments, they mostly showed some dissatisfaction over the state's past and present development strategies, and that there is an urgency to review and amend the situation. This has encouraged the writer in his capacity to make an objective study of development in the state.

As this study is to fulfil requirement of a graduation exercise in obtaining the Bachelor of Arts (Honours) degree in Sociology, the writer where employed and unemployed labours are registered. An officer in charge explained¹ that the labour office could never collect the

(1) An interview with an officer incharge of the labour registration office.

feels unwise to say that it is safe from encumbrances of errors. In a study of this nature the writer is bound to create faults and sparks ill-feeling of some individuals and bodies and therefore the writer feels that he is fully responsible for any comments and suggestion made in the course of this inquiry and he seeks apology from all concern in advance.

LIMITATIONS

There were many limitations and difficulties that the writer had to face in the course of the inquiry. However it is sufficient to mention a few most important problems that had created handicap especially in the formulation of a solid hypothesis.

The scope of development study in the state of Kelantan is tremendously wide for it covers various economic and social aspects in both urban and rural areas. It is impossible to get a really close empirical research because of the vastness of the area and scope, and limited funds. The closest approach that the writer could make was to gather literature, statistics and various datas, and to analyse these limited materials. Not only these datas are scarce and difficult to obtain but they also do not support an absolute truth and are very unsafe from fallacy. This is because of many weaknesses in the methods of collection and compilation. Take the case of Labour Office in Kota Bharu where employed and unemployed labour are registered. An officer in charge explained¹ that the labour office could never collect the

(1) An interview with an officer incharge of the labour registration office.

true number of unemployed at a given time. Those living in remote rural areas never came to register themselves at the office because of difficulties in communication. Even the town dwellers themselves did not all register at the Labour Office. As a result of these condition what was compiled was not a true picture of unemployment at any given time at all.

On many occasions the writer had been refused statistic and report which were said to be 'confidential'. Some of the facts therefore had to be obtained through indirect sources.

Several important aspect of studies, such as 'the operation room technique' (centralised at the Economic Planning Unit), the evil of Private Enterprise, the elites in the role of development, and others were left untouched by the writer because of the limited time and space of work. It would be interesting if future studies on these important aspects and the writer's own be combined, for a thorough knowledge of development in Kelantan.

The general public had been very sincere and cooperative with the writer, though sometimes facts given by them were misleading and ambiguous. As a whole their friendliness and expectation prompted the writer to complete the inquiry though facing many problems and difficulties.

TERMS AND DEFINITIONS

Development - Development is almost synonymous to improvement. To the Sociologist it covers equality, eradication of poverty, employment, emancipation, cooperation and more in the light of freedom and increasing national wealth.

To the economist it is evolved in a situation where per-capita income is high because of the increasing national wealth in relation to a slower increase in population.

The definitions are further elaborated in the theoretical discussion of chapter four.

KSEDC - refers to the Kelantan State Economic Corporation or (PKINK) Perbadanan Kemajuan Iktisad Negeri Kelantan.

The Board - refers to the policy making body consisting of the Chairman, a Deputy Chairman, two ex-officio members and five appointed members. The composition of the Board is discussed elsewhere in chapter III.

EPU - refers to the Department of Economic Planning Unit, in Kelantan.

In conclusion the writer hopes that this Study shall spark further efforts to evaluate the present system of development, as well as to incite interest of the general public in matters concerning their own welfare.

PRESENTATION

The writer had divided the study into four simple chapters so as to be concise and objective in this short analysis of the state development. The economic background of Kelantan is presented in the first stage of the II chapter. This general picture is intended to be the base for the formulation of argument and ideas in the following chapters.

The third chapter is a case study of a public corporation (KASCO) and its role in the development of the state. The corporation is chosen as a focal point in the study because: Firstly it is highly representative to other bodies in its roles and activities; Secondly it exists to uphold social conscience and objective and; thirdly the injection of a public enterprise into the 'free-competition' type of economy coordinate with certain sociological ideas that provide a basis for thought provoking argument and evaluation.

In the final chapter the writer deals with theoretical consideration and discusses its relevance and application to the development of Kelantan. Assessment of progress and suggestions to research and analysis are also made to try and show the differences of economic and social, planned and unplanned approach to development.

In conclusion the writer hopes that this inquiry shall spark further efforts to evaluate the present system of development, as well as to incite interest of the general public in matters concerning their own welfare.

CHAPTER II

THE ECONOMIC BACKGROUND OF KELAN AN

POPULATION

The total population of Kelantan for 1970 was 436.5 thousand and with an annual compound growth rate of 2.4% (of the previous years), it is anticipated as present to have about 720.1 thousand persons.

About 15% of the population live in the five gazetted 'urban' areas, and the rest reside in the rural areas mostly in the Division I (refer to Figure 2.1). The urban areas are mostly in the Kelantan River valley.

CHAPTER II

THE ECONOMIC BACKGROUND OF KELAN AN

During a ten year period there was an increase from two 'urban' to five 'urban' areas. The growth rates in the previous years were greatest in Kota Bharu and closely followed by their two sub-divisions.

TABLE 2.1 - POPULATION AND ANNUAL GROWTH RATES
URBAN AREAS WITH POPULATION OF 10,000 AND OVER

Urban Area (1970)	Population		Compound Annual Growth Rates 1957 - 1970
	1957	1970	
Kota Bharu (1)	50,106	55,113	2.2%
Pangkal Kelang (2/3)	11,248	14,424	1.9%
Peringat (4/5)	2,576	11,004	2.3%
Terengganu (6/7)	7,838	11,235	2.2%
Tapah (8/9)	3,946	10,680	1.4%
Total 'Urban'	75,734	103,555	2.4%

(1) An area with a population above 10,000 persons.

CHAPTER II

THE ECONOMIC BACKGROUND OF KELANTANPOPULATION

The total population of Kelantan for 1970 was 686.3 thousand and with an annual compound growth rate of 2.4% (of the previous years). It is anticipated at present to have about 790.7 thousand persons.

About 15% of the population live in the five gazetted 'urban'¹ areas, and the rest reside in the rural areas mostly in the sub-region I (refer to figure 2.12). The references are mostly on 1970 data due to unavailability of data of later years.

Within a ten year period there was an increase from two 'urban' to five 'urban' areas. The growth rates in the previous years were greatest in Kota Bharu and closely followed by Pasir Mas and Peringat.

TABLE 2.1 - GAZETTED TOWN AND LOCAL COUNCIL
AREAS HAVING POPULATION OF 10,000 AND OVER

Urban Area (1970)	Population		Compound Annual Growth Rates 1957 - 1970
	1957	1970	
Kota Bharu T/C	38,106	55,113	2.9%
Pangkal Kalong T/C	11,248	14,424	1.9%
Peringat L/C	9,576	11,804	2.5%
Pasir Mas T/L	7,858	11,236	2.8%
Tumpat T/C	8,946	10,680	1.4%
Total 'Urban'	75,734	103,253	2.4%

(1) An area with a population above 10,000 persons.

This rate of population growth was lowest between 1947 to 1957 but it was off-set by the double increase of population in 1957 to 1970 period. The increase was 2.4% as compared to Malaysia's 2.6% per annum.

In 1970 the population for rural area was about 583.3 thousand or 85% of the population. In 1947 the rural population was 94.9% and the urban population was 5.1%. This reflects a decrease in the rural population and an increase of population in the urban areas within the 1947 to 1970 period.

Migration was one of the causes of the increase in urban population and the decrease in rural population. There was also inter-state migration to developing areas of Tanah Merah and Ulu Kelantan. Tumpat, Bachok and Pasir Mas districts were affected most by these out migration of population.

TABLE 2.2 - POPULATION BY COMMUNITY GROUP

Community Group	1957	1970 ¹
Malays	91.6%	92.8%
Chinese	5.7%	5.4%
Others	2.7%	1.8%

There was an increase in the period shown above of the Malay community and a decrease in the percentages of other communities. This is because of the low development advantages, which discourage them from settling down.

TABLE 2.3 Economically Active Population, Ten Years of Age and Over, by Community and by Industry Group: Kelantan, 1957 to 1970.

Sector	Malay		Chinese		Others		All Communities		Change in Total, 1957 to 1970		Malays as Percent of Total	
	1957	1970	1957	1970	1957	1970	1957	1970	Number	Percent	1957	1970
Agriculture, Forestry and Fisheries												
Rice or mainly rice	98,144	88,723	1,298	1,555	2,781	2,922	102,223	93,201	- 9,022	- 8.8%	96.0%	95.2%
Mixed agriculture/livestock	5,527	7,152	1,174	365	56	106	6,757	8,123	1,366	20.2	81.8	88.0
Livestock	151	359	124	47	32	24	307	430	123	40.1	49.2	83.5
Rubber and rubber processing	28,292	53,747	1,017	1,257	1,412	1,096	30,721	56,400	25,379	82.6	92.1	95.8
Palm oil and processing	27	720	14	41	4	27	45	788	743	1,651.1	60.0	91.4
Coconut, copra, and oil	900	829	68	50	3	6	971	885	- 86	- 8.9	92.7	93.7
Agriculture, Forestry and fishery services	295	1,098	5	75	14	27	314	1,200	886	282.2	93.9	91.5
Sub-total, crops and livestock	133,336	152,683	3,700	3,291	4,302	4,208	141,338	160,727	19,389	13.7	94.3	95.0
Forestry and logging	344	634	102	279	-	11	446	924	478	107.2	72.0	68.6
Fisheries	7,346	5,451	21	12	4	3	7,371	5,482	- 1,889	- 25.6	99.7	99.6
Sub-total, agriculture, forestry and fisheries	141,026	158,287	3,823	4,123	4,306	4,222	149,155	167,133	17,978	12.1	94.5	94.7
Mining and quarrying	292	198	40	24	101	2	433	224	- 209	- 48.3	67.4	88.4
Manufacturing	6,519	15,828	1,720	2,523	207	206	8,446	18,617	10,171	120.4	77.2	85.0
Construction	4,487	3,227	232	533	59	44	4,778	3,804	- 974	- 20.4	93.9	84.8
Electricity, water sanitary services	164	607	27	42	16	40	207	689	482	232.9	79.2	88.1
Retail/wholesale trade	7,962	12,071	2,245	3,757	866	517	11,074	16,345	5,271	47.6	71.9	73.9
Real estate, banks and other financial institutions	49	337	80	172	15	28	144	537	393	272.9	34.0	62.8
Transport, storage and communication	4,719	6,420	210	225	241	157	5,170	6,802	1,632	31.6	91.3	94.4
Services:												
Government and mainly government	10,640	20,345	1,605	2,423	829	668	13,075	23,436	10,361	79.2	81.4	86.8
Other	7,557	13,117	496	972	414	370	8,467	14,765	6,298	74.4	89.3	90.9
Industry not identifiable	3,088	6,228	1,110	1,445	415	298	4,608	8,671	4,063	88.2	67.0	79.9
Total employed	176,594	222,839	10,041	14,422	6,657	6,000	193,302	243,051	49,759	25.7	89.8	89.2
Not working but looking for work	1,028	6,601	81	513	23	152	1,132	7,266	6,134	541.9	90.8	90.3
Total labour force	177,622	229,440	10,122	14,935	6,680	6,152	194,434	250,327	55,893	28.7	91.4	91.6
Population 10 years and over	320,341	432,312	19,831	28,622	9,897	9,756	350,069	470,686	120,627	34.5		
Participation rates	.554	.530	.510	.522	.676	.631	.555	.532				

1/ In 1970, includes "miscellaneous crops" and "mixed agriculture and livestock".
 2/ Includes cultivation and processing, on and off estates; smallholdings and estates.
 3/ In 1970, includes 3 Malays and 1 Chinese worker in tea and coffee cultivation. None reported in 1957.
 4/ In 1970, includes 66 estate labour contractors, 61 of whom were Malays and 4 Chinese.
 5/ In 1970, over 58 percent were drivers of trishaws, taxis and rental cars.
 6/ Includes employees in Federal, State and local Administration, Military and Police services; also includes "Community Services", chiefly education, and medical and health services. All such services are put in this category because, in Kelantan, the number of workers is determined largely by Government rather than by the private sector.
 7/ Includes all other services; in 1970, over 72 percent of this category were engaged in domestic service and in restaurants and other eating and drinking places.

Sources: 1957 Population Census, Report No. 10, State of Kelantan, Department of Statistics, Tables 12, 12A-12D and 13.
 1970 Census of Population and Housing: West Malaysia. 1970 data in Table 3.5 tabulated by RRNA from computer printout made available by Department of Statistics.

In the distribution of population, the Chinese are largely found in the urban areas while the Malays concentrate in the rural, and these may be attributed to the occupational differences of the respective community.

As shown in the table 2.3 Malays dominate largely in agricultural sectors. They are padi planters, fishermen, rubber-tappers, foresters and other rural occupation. The Chinese and other communities are involved mostly in whole-sale and retail trade, services (government and others), construction, etc.. They work and live mainly in urban areas.

In 1957 total labour force was 194,434 and it increased to 250,327 in 1970. This increase of labour force was far greater than the increase in employment. This trend has been continuing due to slow process of development in the state.

TABLE 2.4 - LABOUR FORCE²

	Numbers (,000)		Percent. ³	
	1957	1970	1957	1970
Total Labour Force	194.4	250.3	100.0	100.0
Employed	193.3	243.1	99.4	97.1
Unemployed	1.1	7.3	0.6	2.9

- (1) 1957 population census, Report No. 10, State of Kelantan.
- (2) 1970 Population and Housing Census of Malaysia, Community Groups.
- (3) Statistic from Department of Statistic Kelantan.
- (3) Those above 10 years of age, working or looking for work.

From table 2.3 during 1957-1970 there was a decline in the number of Malays in the cultivation of rice and an increase in the non-Malay participation. However, there was an increase in the rubber and rubber processing sector; manufacturing; retail and wholesale trade; services and others. This is because of the migration of the Malays from rural to urban centers, thus leaving their traditional occupation to join various other trades. In 1970 the Malays dominated 95% of the agricultural sector, 68% in forestry and logging, 99.6% in fisheries, 85.0% in manufacturing, 74% in wholesale trade. But they (the Malays) accounted for only 67.8% in the Administrative and Managerial sector in 1957.

The population of Kelantan is mainly agricultural and development at present and in the near future need to be intensified in this sector. The outcrop of new population seems not to be able to find enough employment in the rural area, hence the population drifts to towns, inter-regional, as well as out-migration to other states. This imbalance of development growth and opportunities as well as the structure of the society that culminate in unemployment and poverty shall be fully discussed in the ensuing chapters.

It seems that out-migration occurs mostly among the males and most of this emigrants are said to be the energetic, better educated, strongly motivated and readily adaptable to modern sectors. In the inter-regional, women are more mobile than men and this may

be due to change of place in residents after marriage.

From table 2.5 it is indicative that the out-migration total about 48,064 persons between 1957 and 1970. This number is obtained by the difference between the number of natural increase (1957 and 1970) and the observed increase. These emigrants mostly leave for Trengganu, Pahang and Selangor respectively.

TABLE 2.5 Measures of Interstate Migration: States of West Malaysia

A. Based on place of birth, place of enumeration, 1970 Census
 B. Based on observed and natural increase, 1957 to 1970

State	Enumerated in State, born in another		Born in State, enumerated in another		Col. (1)-Col. (2)		Observed increase in population, 1957 to 1970 censuses		Occurrence of births minus deaths 1957-70		Apparent net migration: out(-); in(+)		Col. 5, as per cent of Col. 6
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)					
Kelantan	19,669	67,497	- 47,328	- 7.0	180,744	222,208	- 48,064	79.0%					
Trengganu	36,959	31,011	+ 5,948	+ 1.5	127,270	136,324	- 9,054	93.4					
Pahang	107,113	41,315	+ 65,798	13.1	191,242	153,848	+ 37,994	124.7					
Johore	81,581	86,565	- 4,984	- 0.4	350,119	429,784	- 139,665	71.5					
Malacca	47,805	88,130	- 40,325	- 10.0	112,924	154,021	- 41,097	73.3					
N. Sembilan	75,162	96,762	- 21,500	- 4.5	115,567	125,871	- 69,904	52.6					
Selangor	293,928	94,257	+ 199,671	+ 12.3	617,778	523,511	+ 94,267	118.0					
Perak	105,672	219,990	- 114,312	- 7.3	347,715	551,926	- 204,211	63.0					
Penang	91,060	111,147	- 20,087	- 2.5	203,340	233,893	- 30,553	86.9					
Kedah	78,402	103,765	- 25,357	- 2.7	252,785	300,160	- 47,375	84.2					
Perlis	16,317	13,241	+ 3,076	+ 2.5	31,106	35,054	- 4,948	85.9					
Total	953,680	953,680	0		2,531,590	2,994,200	- 462,610	84.5					

Sources: Section A, Special tabulations prepared by the Department of Statistics from the 1970 Population and Housing Census of Malaysia; Section B, Vital Statistics, West Malaysia, 1970.

NATURAL RESOURCES

FORESTRY

The biggest source of income for the state is from the forestry and for more than eight years much of the timber land has been extracted and exploited by various means. Part of the income from this source has been diverted to other sectors especially for the urban development projects. This wealth of state also helps to balance the expenses of the government as well as providing some employment in road construction, logging, transports and industrial transformation. The snag here is that, the source of income from this sector over the years has been small due to active participation of private enterprises and private individuals in the state.

At mid 1960, it was estimated that Kelantan had about 2.7 million acres of forest land. However, years of extractive activities have taken much of the prime areas. In assessment of the parties may apply for the available areas after it has been ascertained. Applications were then scrutinized by the state committee or Board of Governors as in the K.S.E.D.C. On approval a concessionaire would have to abide to several conditions: Payments of 'royalty and tribute'¹; building of roads and tracks

(1) 'Royalty': Money paid in lump sum as preliminary payment over the total area given.
 'Tribute': Money paid per ton of log extracted.

remainder of virgin jungle areas it is estimated that output and employment in this sector can only be expanded until the next fifteen years.

Assessment of the forest areas by Forest Development Projects in 1960 are as follows:-

TABLE 2.6

Forest Type	Million Acres
Primary hill forest	2.26
Recently harvested	0.62
Disturbed forest	0.45
Poor and Upper hill	0.42
Total areas	2.75

Presently the area being exploited and in the process of extraction total almost a million acres. Most of these were given to private companies for extraction of logs and wood processing.

Available timber areas to be extracted were usually unknown except through certain official channel. As in the past interested parties may apply for the available areas after it has been ascertained. Applications were then scrutinized by the state committee or Board of Governors as in the K.S.E.D.C. On approval a concessionaire would have to abide to several conditions: Payments of 'royalty and tribute'¹; building of roads and tracks

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- (1) 'Royalty': Money paid in lump sum as preliminary payment over the total area given.
 'Tribute': Money paid per ton of log extracted.

in areas given.

The state thus obtained income indirectly through this method and because of this most of the profits supposed to go to state coffers, has been harvested by individual interest and private enterprises.

Though some of the companies have built timber - processing industries such as saw-mills, veneer, and plywood plants yet more is needed if the government is to process the timber locally instead of it partly being transported to other states.

Since then one large saw-mill was built near Gua Musang, and one plywood factory was opened near Kuala Krai. This plywood factory is a joint venture between KSEDG and Great Eastern Saw-mill Company.

An annual data of production from the Forestry Department are as follows:-

TABLE 2.7 - ANNUAL DATA OF TIMBER PRODUCTION

Year	Thousand of Tons	Equivalent in Million Cubic Feet
1964	69	2.8
1965	98	3.9
1966	136	5.4
1967	175	7.0
1968	190	7.6
1969	167	6.7
1970	200	8.0
1971	220	8.8
1972	378	16.1

Compared to the aggressive extractive activities there has been no similar efforts in replanting or silviculture. Several types of meranti for instance are getting scarcer and as a result it fetches an ever increasing price. It takes decades for these valuable logs to grow and at present there is no proper administrative care to recycle its growth. At present 590,000 acres of forest land are under forest reserves. This is hoped to increase in future.

MINERAL RESOURCES

Kelantan state is endowed with several types of minerals such as: iron, lead, gold, silver, manganese, copper and tin. Deposits are reported to exist at Bukit Hantu area, along the upper parts of Sungai Aring and Sungai Lebir, Tanah Merah and Ulu Kelantan. However due to lack of roads, communication, and social facilities, it has not tempted any sectors at all so far to explore these riches.

AGRICULTURE AND FISHERIES

AGRICULTURE

Less than 35% of land surface in Kelantan is being utilised for agriculture. About 3/4 of the agricultural lands alienated is in sub-regional I of six northern areas. The rest which is equivalent to 11% of the total is in sub-region II of Tanah Merah and Ulu Kelantan. (refer to figure 2.12). Though the northern areas occupied only 1/4 of the state, agricultural activities are

highly intensified here. The vast area of Ulu Kelantan and Tanah Merah has been virtually left untroven. Presently due to this imbalance of land development the problems of demographic, unemployment and under employment, and migration is felt. A planned development strategy must therefore cover up a wider scope of approach to solve these problems in the future.

Presently Kelantan is still able to feed her large population and to provide a major source of employment and income from this particular sector. In 1970 crop and livestock provided employment for 64% of her economically active population.

In 1971 for example padi the principal crop (both wet and dry padi) occupies about 187,000 acres (refer to table 2.8). Then came rubber the cash crop which covers 177,000 acres. The rest like oil palm, coconut and other miscellaneous crops occupy about 87,000 acres. The grand total of planting which includes off-season padi come to about 469,000 acres of land in 1971.

Kelantan's agriculture evolved under self-sufficiency and she is still unable to produce for out-of-state big market. Twice in the past between 1963 - 1970 Kelantan has suffered severe losses in her padi harvest due to Monsoon flood. At present she is yet to recover her precious losses by intensifying of planting.

Acreage of planted rubber in 1966 in sub-region I was about 104,000 acres and sub-region II of Tanah Merah and Ulu Kelantan,

TABLE 2.8) Acreages Planted To Principal Crops:
Kelantan, 1965-1972.

<u>Crops</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>
	(thousand acres)							
Rubber	161	165	166	166	169	172	177	181 ^{1/a}
Oil palm	1 ^{1/a}	2 ^{2/a}	6 ^{6/a}	9	10	11	11	n.a.
Coconuts	42	43	43	43	43	43	43	43 ^{43/a}
Padi - wet main crop	167	168	166	171	172	171	170	170
- dryland	20	17	17	17	17	18	17	15
Miscellaneous crops ^{1/b}								
- tobacco	2	1	2	2	5	6	7	15
- groundnut	1	1	2	2	2	1	3	5
- others	29	27	28	28	24	23	23	23
Land in crops	423	424	430	438	442	445	451	n.a.
Off-season padi	9	8	10	14	19	26	18	42
Total plantings ^{1/c}	432	432	440	452	461	471	469	n.a.
	===	===	===	===	===	===	===	===

a/ Approximations by RRMA.

b/ Solecrop equivalent basis.

c/ Summation by RRMA. Does not include some double cropping of tobacco, groundnuts and other miscellaneous crops.

Sources: Rubber. See Appendix Table A-1 of Reference Paper No.1.

Oil palm and Coconuts. Data supplied by Department of Statistics.

Padi. Special tabulation by the Economics & Statistics Section of the Ministry of Agriculture. See Appendix Table A-2 of Reference Paper No.1.

about 120,000 acres. This cash crop on the other hand has been produced for out-of-state market and lately followed by the production of tobacco for the same purpose.

For coconut the acreage planted has not changed since 1965 and the production of it is locally consumed. It produces little income for the state since there is no large scale plantation and out-shipment of the crop.

Fruits, vegetables and spices are also produced for local consumption and it is planted on the farmers' backyard plots.

Padi planting in Kelantan is still seasonal in nature. Wet padi is being planted by most farmers during the monsoon period. Kelantan's irrigated land intended for double cropping of padi is involved greatly under Kemubu Scheme. This irrigation facilities at present cover an area of about 80,000 acres or less than half of the total acreage.

Livestock rearing in Kelantan is not practised on commercial scale except that the animals are being reared by most farmers in small numbers. Nevertheless a reasonable amount in the past years has been shipped to markets in Selangor and Johor.

Smallholder agriculture provides source of employment and estates provide wage for individual on contract basis.

Agriculture in Kelantan is the most important sector for employment and emphasis of development should start from here. Apart from opening of new areas for agriculture, the present land surface in use can still be intensified and diversified in its utility.

At present there is a surplus of labour in this sector and under employment is as serious a problem as unemployment or may be even worse. At the time of 1960 Census, only 21% of farm operators worked on their farms exclusively, and more than half of the active farm members worked partly on non-agricultural jobs. It seems that this will further be intensified if there is no intensification and expansion of total area. At present technical and economic factors constrain the development coupled with inadequacy of proper administration of the several land schemes that had been implemented.

Under-employment arises when there is too much labour on too small a farm. Land 'fragmentation' through inheritance has rendered low productivity and profit and poor management. Some of the lands are too small that they are left unutilised by the owners who have gone to seek jobs elsewhere.

As far as Kelantan is concerned state policy in future economic development should give greater emphasis on the agricultural sector because it supports 85% of the total population and the accumulated socio-economic problems are also here.

TABLE 2.9 Agricultural and Other Uses of Land:
Kelantan, by Sub-regions, circa 1966.

Item	Kelantan	Sub-region I (6 northern districts)	Sub-region II (Tanah Merah & Ulu Kelantan)
		(thousand acres)	
<u>by alienation status</u>			
Allocated for agriculture	788	451	337
Unalienated	2,931	155	2,777
Total land area	3,720	606	3,114
<u>by major use</u> ^{/a}			
Cereals and grass:			
Wheat	224	104	120
Other	188	176	12
Orchard horticulture	81	70	11
Swampland	68	31	37
Other	27	20	7
Sub-total	588	401	187
Forest & scrub forest	2,979	120	2,859
Quarrying and mining	8	6	2
Barren and unclassified	137	80	57
Total	3,712	607	3,105
<u>Land in irrigation</u>			
Schemes ^{/b}	151	150	1

Based on dot-grid acreage counts for land use categories of 2 acres or more, made from aerial photos taken between January 1966 and February 1967 at the scale of 1:25,000. Of which only about 80,000 acres can be served by the existing canal system.

Sources: Malaysia Prime Minister's Department, Economic Planning Unit, Land Capability Classification Report: Kelantan (processed, 25 pp.) Kuala Lumpur, Feb. 1970. Tables 1 and 6.

I.F. Wong. The Present Land Use of Kelantan. Present Land Use Report No. 7, Ministry of Agriculture and Co-operatives (processed, 22 pp. & map) Kuala Lumpur, July, 1970.

FISHERIES

Kelantan has ample access to the South China Sea as well as fresh water fishing. There are about 6,300 fishermen involved and live along the shore from Tumpat, Bachok, Kuala Semerak to Kuala Besut. About 1,600 boats are engaged in the industry and $\frac{2}{3}$ of the boats are motorised.

Recent estimates by the Fisheries Department were that the average annual income of fish landing amounts to about \$5.9 million of which prawns made up 40% of the total.

Fishermen in Kelantan still occupy the lowest rung of the income bracket compared to other occupation. Their income is very low because of the lack in scientific and technological methods in their occupations. Low income of course leads to low saving and investment. This clearly reflected in their ownership of small inefficient boats and nets and out-of-date machineries and tools¹.

These poor fishermen have to face unfair competition with rich businessmen who entered the fishing industry, as a result of better communication and facilities. Apart from exploitation their living condition degenerate as inflationary condition accelerate.

The improved prices of their catch do not compensate for the rising prices of their boats, nets and machineries. Landing sites

(1) Raymond Firth: 'Malay Fishermen' Their Peasant Economy 1939-40, revised edition 1966.

at Tumpat, Perupok, Kuala Besut and several others are still inadequate to cater for the fluctuating catch. Coupled with the practice of selling by ungraded lots, this has lowered the price of the fishermen's catch.

The high transport cost and the inability to get to the hinterland markets, kept the fishermen at the mercy of the wholesalers, who take advantage by controlling the prices of their catch.

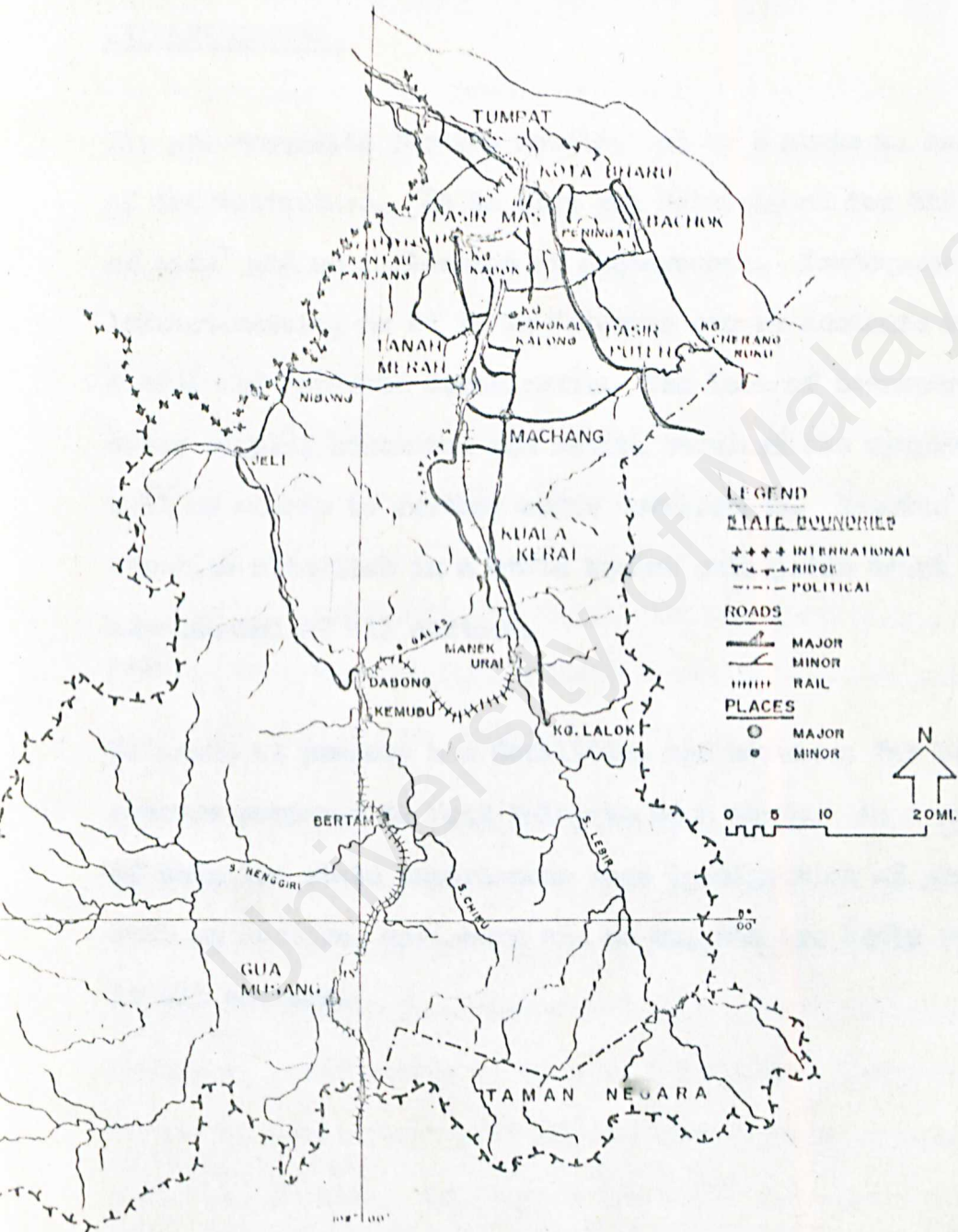
Improved facilities and modern technique in fishing can create greater profit for the fishermen. This is demonstrated by the project 'Pukat Tunda' launched by KSEDG in August 1973. Several high powered boats were launched with hauling machineries installed. The writer was fortunate to accompany the crew on several fishing trips to witness the bountiful catch that it made. Compared to traditional methods, it does not have to follow any specific pattern or time table in fishing.

With advanced machineries and techniques the season is opened almost all year round. It is capable to make trip further off-shore, and have more hauls than ordinary labour could take. The only problem left is the inability of the poor fishermen to acquire these modern techniques and facilities.

However KSEDG is only making her maiden run in the industry and looking at the present policy, it is wholly profit motivated and

it does not touch even a fraction of the fishermen total population yet.

With the present facilities, techniques and labour force, the industry is at the optimum. To add labour means to lower average income. The fishermen's population is still increasing and the problem of unemployment and low productivity will be acute if practical measure is not taken. Vast aid in every aspect is badly needed from the authority to alleviate the fishermen from poverty and to create elasticity in the industry.



KELANTAN PLACE MAP

On the other hand the temptation to move to develop areas of other states is great and as a result Kelantan suffers out-migration of her population every year (refer to table 2.5).

INFRASTRUCTURE

The emigrants are the better educated, the more ambitious, and The pre-requisite for the development of a state is her standard of infrastructure. It is also the determinant for the 'quality of life' and an indication of achievement. Inadequate infrastructure, as it is in Kelantan causes economic strain on social and economic development. The lack of transport, power, water supply, education and health services are symptoms as well as causes to further under development. However the opposite situation in a state become catalytic agent in advancement of all sectors.

Kelantan at present has facilities and services far below average compared to West Malaysia as a whole. As a result of this the state experiences less in-migration of professionals such as doctors, engineers and so on, who are badly needed in all sectors.

especially around the urban centres and in Ulu Kelantan communication is very much lacking. There is little access to land settlements and the development schemes in south-east Ulu Kelantan. At present the state has about 517 miles of road compared to 10,950 miles of roads in West Malaysia.

On the other hand the temptation to move to develop areas of other states is great and as a result Kelantan suffers out-migration of her population every year (refer to table 2.5).

The emigrants are the better educated, the more ambitious, and are easily adaptable to modern life. To a certain extent this is true of the graduates from Kelantan of whom greater percentage serve in other states after graduating.

TRANSPORTATION

Road transportation in Kelantan gives access to urban areas and a wide coverage of the six northern regions. The major settlements are linked by federal and state roads and adjoining them are the tertiary roads leading to the rural villages. However in the sub-region II only primary roads with short mileage are available with almost no tertiary roads.

Road is a primary transport in Kelantan - not only for ordinary travelling but also for the purpose of business and development into remote and potential areas. As it is roads are mostly built for traffic only, especially around the urban centres and in Ulu Kelantan communication is very much lacking. There is little access to land settlements and the development schemes in south-east Ulu Kelantan. At present the state has about 517 miles of road compared to 10,950 miles of roads in West Malaysia.

The Federal highway from the south presently ended up in Kelantan. However with the opening of the East-West Highway, it shall be connected from the south to the federal highway in Perak.

For Ulu Kelantan, railway or train service is more important and settlement has grown all along the track. Apart from the passenger coaches it also provides transport of logs and other timber products.

The state air transportation service, receives two schedule flights everyday from Kota Bharu to Kuala Lumpur. This service also links Kelantan to other states. The airport is located at Penghman Chepa which is about three miles to Kota Bharu. The landing strip here is capable of receiving jets and Boeings. Nevertheless it has not yet secured an international classification, which is necessary to boost international tourism.

Another air strip of equal size is at Gong Kedak a distance of approximately three miles from Pasir Puteh. In Ulu Jeli there is also a small airfield for small aircrafts. Both of these and especially the former are strictly used for military purposes. Regions in Ulu Kelantan and Tanah Merah are deprived of this kind of transport.

As regard to sea transport, facilities are few. Though the state is in need of harbours and ports the sea coasts provide little potential for them. Tumpat was formerly used and proposed - however it has been found unsuitable due to shallowness and much silting in the area.

HEALTH¹

Health situation in the state is very unsatisfactory. This is highly evident in the high level of death rates, compared to other states in West Malaysia. Maternal mortality rate is the highest and followed closely by infant mortality, toddler and crude death rate occupying third and fourth place respectively.

TABLE 2.10 - CRUDE BIRTH AND DEATH RATES:
KELANTAN AND WEST MALAYSIA 1957 - 1970

(RATES: Number per 1000 population)

Average of	Crude Birth Rate		Crude Death Rate	
	Kelantan	West Malaysia	Kelantan	West Malaysia
1957 - 1960	41.5	43.2	12.6	10.7
1961 - 1965	40.9	39.5	11.5	8.7
1966 - 1970	36.9	34.6	9.5	7.4

Though the writer has been unable to obtain the necessary detail regarding death rate and health situation in the state, this has been strongly substantiated by the State Health Officer.

There are several obvious reasons culminating in this low health condition. Firstly the sanitary and water supply is highly inadequate. Pipe water service covers only a small percentage of the population in the urban areas. Even in these places the service is very poor and far from being adequate. The pipe water supply is roughly 13% in Kelantan and $\frac{1}{2}$ of the population get their water from wells of undetermined condition.

(1) Information supplied by Director of Health, Kota Bharu.

Kelantan has no proper sewerage system and this has lead to water borne diseases (such as typhoid, cholera, dysentery, viradhepatitis, etc.), which is highest in the state so far.

Apart from this low health condition, it is also due to poor waste disposal, drainage system, communication, poor education and low per capita income.

Sub-region II has a much higher mortality rate than sub-region I. Apart from the poor health condition mentioned above, this region is in dire needs of hospitals, medical personnels and other amenities.

Presently there are more patients in the state than the health facilities available, i.e. beds, equipment, hospitals, clinics and health centres.

TABLE 2.11 - HEALTH FACILITIES AND SERVICES: KELANTAN

Facility	Number in 1970
Hospital Beds	911
Main Health Centres	5
Health Sub-centers	18
Clinics	77

In addition to these deficiencies, the immediate problem is the lack of medical personnel especially specialist of various medical fields.

To improve population, these shortcomings have to be corrected. Effective education on health for example must be given. Diffi-

(1) Education, Planning and Research Division, Ministry of Education 'School Enrollment Study Report' February 1973.

culty of access of rural people to health centers must be overcome and safer supplies of portable pipe water as well as sanitary waste disposal is highly necessary. One thing is obvious that the low standard of health in the state leads to low attendance in school, low productivity and performance of the population.

EDUCATION

A recent report by the Ministry of Education¹ showed that Kelantan rank lowest in percentage of passes in Arithmetic and Science in Standard 5 (Malay medium) for both rural and urban.

Drop-out and low performance especially in these subjects are common in both primary and secondary schools.

To solve these problems the government has taken steps to increase more schools in the rural areas. More science classes are needed with facilities as well as science instructors. The great shortage of primary teachers has to be considered. The school curriculum also needs revision to be in line with the necessary technological advancement. This is important to upgrade labour in pursuit of state development.

KSEDC DEVELOPMENT PROJECTS

Urban construction programmes undertaken by Kelantan State Corporation (KSEDC) so far comprise of individual housing and commercial development projects.

Major projects completed by the Corporation is heavily concentrated in Kota Bharu area. No doubt there were efforts in the plan for

(1) Education, Planning and Research Division, Ministry of Education 'School Enrolment Study Report' February 1973.

diversification of projects and proper distributions throughout the state, however, this has yet to be realised.

Housing for instance, is adequate at present in the state. It would be advantageous if housing projects, actively undertaken by the Corporation at present be replaced by agricultural or agro-based industrial projects. The housing projects accomplished so far are not designed for the income group that are most seriously in need of accommodation.

The impact of development projects completed as well as the currently under construction is limited, because most of it are isolated and not integral. The total number of development projects completed by the Corporation is small and it has not provided significant number of jobs to the population. The basis of development too has little relationship with development situation as a whole.

The construction of hotels, office buildings, housing, commercial buildings in Kota Bharu, is an effort for only an aesthetic-face-lifting. The writer shall discuss in detail the Corporation and development in the following chapter.

CONSTRUCTION OF EAST-WEST HIGHWAY

The East-West Highway already near completion is under the patronage of the Federal Government. It will be of great advantage to Kelantan especially the economic and social impacts of it.

Once Kelantan comes in closer contact with the West coast, there will be a widening of markets for the state's products. There will also be impacts on commercial traffic and import-export trade.

As tourism increases, many traditional handicrafts and other cottage industries will flourish. Employment may increase in many ways and this is especially so in the building and maintenance of the highway itself.

As a whole, with the completion of this highway, there will be to a certain extent, the positive effect on the social and economic life of the people in Kelantan.

THE ECONOMIC GROWTH

Kelantan's economic base is agriculture and forestry. Much of her income depends on the production of raw materials such as logs, rubber, livestock, rice, fresh sea-food, handicrafts, etc..

Since 1963 this sector is largely responsible for the economic growth in the state. With the increase in concession of timber land (refer to appendix A). There has been aggressive logging activities as well as increase in various timber products. Though at present the money payments¹ for the concession of every acre remains low, compared to other states, the overall income receives annually is considerably big.

(1) 'Royalty and tribute'.

With the cooperation of irrigation scheme, double cropping of padi, over certain area is possible. Apart from intensification of crops, diversification too is exercised. However the amount of productivity received and increased still remains small compared to other states. In 1970 Kelantan ranked eleventh in per capita income¹. Total value added was \$322.8 million. About 40.3% came from sectors which include crops, livestock, forestry and fisheries - 44.6% from wholesale and retail trade, banking, insurance and real estates, government and private sectors - 15.1% from manufacturing, construction, electricity and water, transport, storage and communication.

In 1963 per capita value added was \$416, and in 1970 it had risen to \$492. The latter is one half of the West Malaysian average for 1970 (West Malaysian \$981).

This low rate of economic growth is due to the structure of economic activity, employment, production and slow progress in major sectors. The chain of major problems which cropped up from the old system of economic planning and administration, still remained at present, to slacken the phase of development.

(1) Economic Planning Unit, 1973, Prime Minister's Department, Kuala Lumpur.

GENERAL STRATEGIES FOR GROWTH

On the agricultural sector there must be an intensification of inputs. If and when the irrigation scheme is successful, it should be able to cover a greater percentage of the agricultural land under cultivation in the sub-region I. These lands are then capable of doubling the present harvest of crops with improved technology, diversification, multiple cropping and realisation and adherence of farmers to planting schemes.

There should be an increased emphasis on forestry, logging, wood processing and silvicultural. Looking at the acreage of timber available at present, wood processing sector is very viable, as well as silvicultural. A revision is needed on concession made and those to be made, regarding the rules and provision of the agreement. For future joint venture projects with private companies, the government must impose greater adherence by them especially on the opening of roads in timber land areas. There should be an increase in payment of royalty and payment on tonnage of logs extracted, at least to the average of other West Malaysian states.

As discussed by the writer, a concerted efforts of various government organs are needed to develop the present deficiency in infrastructure. It is vital that communication is made good for the rural populace and the potential areas, especially in the sub-region II. Apart from communication, health and education facilities are to be looked into as well.

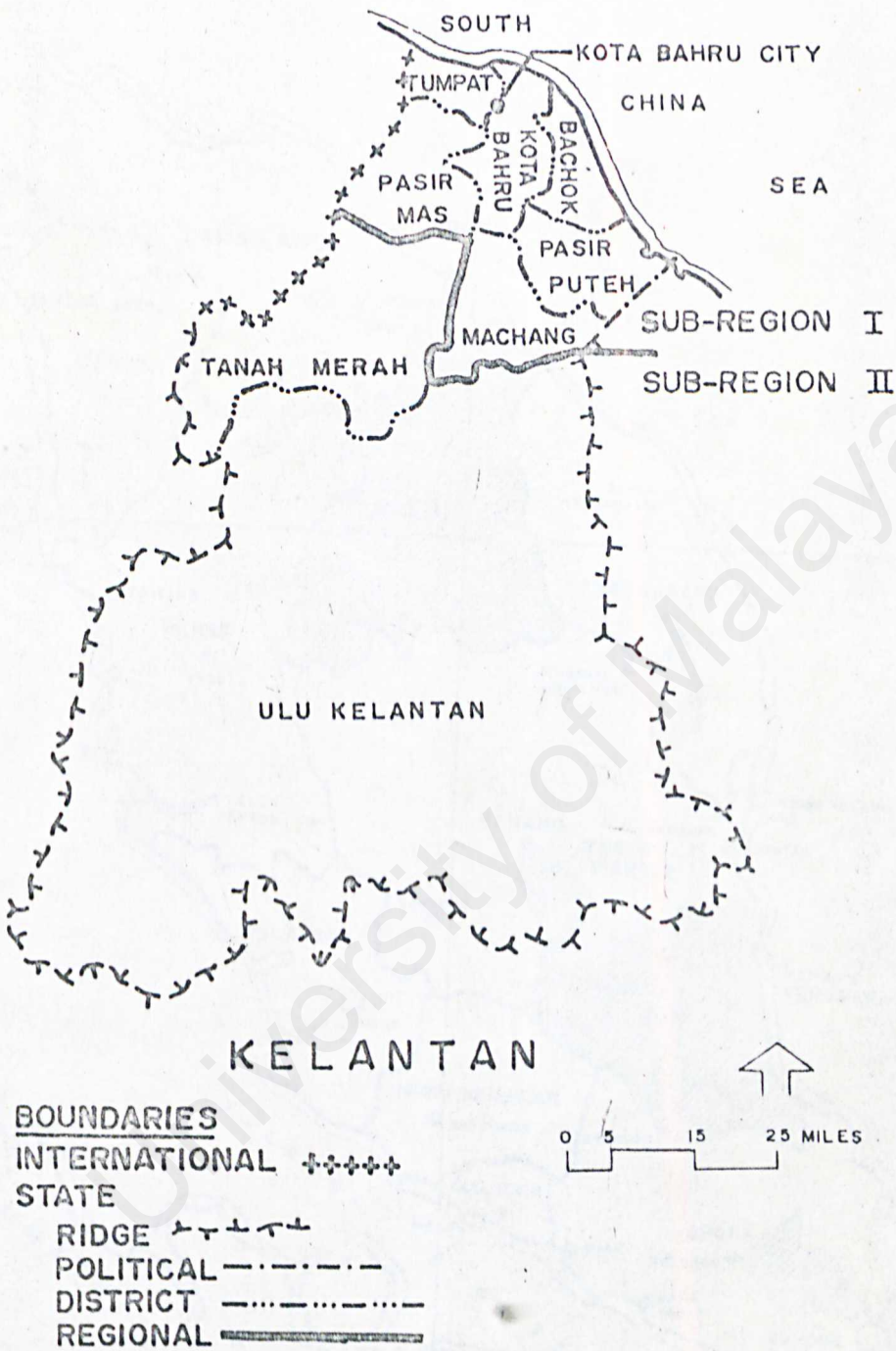


FIGURE 2.12

SUB-REGIONS OF KELANTAN

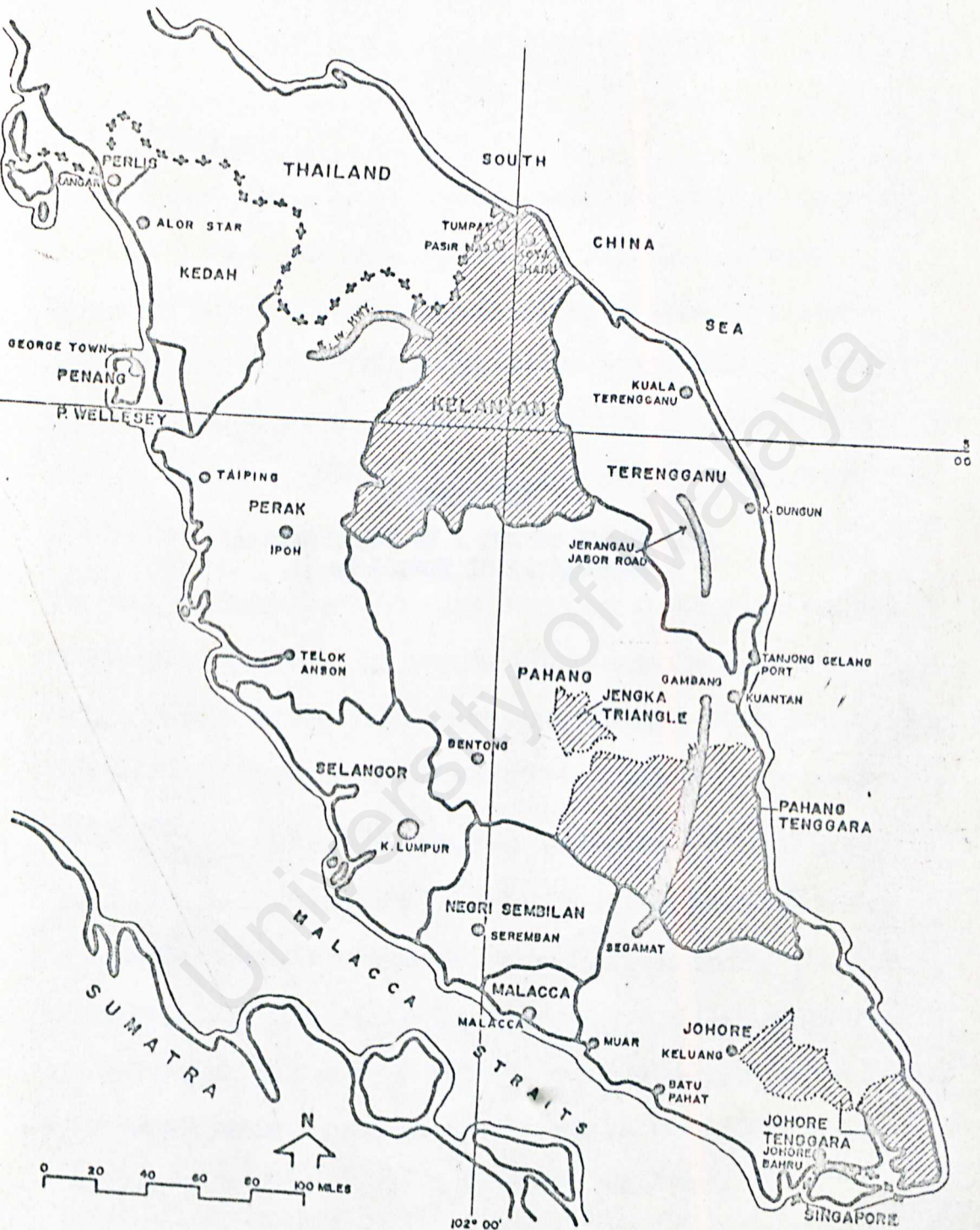


FIGURE 2.13

KELANTAN AND OTHER W. MALAYSIAN DEVELOPMENT PROJECTS

CHAPTER III

A CASE STUDY OF A PUBLIC ENTERPRISE
AS AN AGENCY IN DEVELOPMENT

1. INTRODUCTION

The need for systematic plans in development and utilization of the natural resources was much realized by the Malayan State

Government after 1945. She is far behind in economic progress

as compared to most of the other states in East Malaysia.

However, economic progress started "but slow and the government

has gone hand-in-hand with economic growth and development.

CHAPTER III

A CASE STUDY OF A PUBLIC ENTERPRISE
AS AN AGENCY IN DEVELOPMENT

The new interest has led to the formation of corporations and other bodies to undertake this kind of work in other states.

Among the earliest one to be formed was Malayan State Corporation

(1964) and Sarawak State Corporation (1965).

Malayan State Development Corporation (MSDC) was

formed on 5th November, 1964. In the same date Malayan State

legislation namely passed the State of Malaya Act, 1964

Amendment, which has broadened the constitution of the corporation

and has given individuality outside the defined governmental area,

even though it is a total government agency. This identity is

conferred in Section 3 of Part II of the Amendment.

(1) The Eastern Economic Review, September 12, 1964, p. 62.

CHAPTER III

A CASE STUDY OF A PUBLIC ENTERPRISE
AS AN AGENCY IN DEVELOPMENT

I. INTRODUCTION

The need for greater phase in development and utilization of the natural resources was much realised by the Kelantan State

Government after 1960. She is far behind in economic progress

as compared to most of the other states in West Malaysia. Far

Eastern Economic Review quoted: "But this and the remoteness

has gone hand-in-hand with more intense poverty and lack of

development generally ..."¹

The same interest has led to the formation of corporations and

other bodies to undertake this immediate need in other states.

Among the earlier one to be formed are Selangor State Corporation (1964) and Terengganu State Corporation (1965).

Kelantan State Economic Development Corporation (KSEDC) was

formed on 6th November, 1966. On the same date Kelantan State

Legislative Assembly passed the State of Kelantan No. 10, 1966

Enactment. This has become the constitution of the corporation

and has given individuality outside the defined governmental area,

even though it is a total government organ. This identify is

connoted in Section 3 or Part II of the Enactment.

(1) Far Eastern Economic Review, September 13, 1974, p.p. 62.

Out of necessity to follow others it seems, a corporation in the state is indispensable. This is reflected in the confusion of roles between the Economic Planning Unit of the state (E.P.U.) and the corporation policy and their areas of development are determined independently, devoid of proper co-ordination.

An interview with one of the Directors of Kelantan E.P.U., illuminates the ambiguous role of KSEDG. He said: "The objective of KSEDG as outlined in its constitution is actually a general reflection of the roles that had been empowered on us all this while". As a result of this he further stated that there exists a dilemma and overlapping of project priority.

KSEDG is established to look into the welfare of the Malays in general and to boost up the 'deplorable' economic condition in the State. This is a common view given by the officers in the corporation. However, interviews with the general public reveals a feeling that the corporation is only a business house maintained by the government.

As outlined in the Enactment, the functions of the corporation are as follows:-

- a) To promote residential, industrial and commercial development of areas in the state designed for this purpose;
- b) To stimulate, facilitate and undertake land development in the state;

- c) To do all other matters and things as are necessary for the exercise or performance of all or any of the function and duties of one corporation.¹

The corporation's activities are divided into:-

- a) To serve the people, the government and other statutory bodies;
- b) To plan and to encourage projects for purposes of economic expansion in the state;
- c) To plan and to encourage commercial and industrial project.²

KSEDC commenced its activities in 1970, and it prepared a working policy to act as a guideline. The main idea in the policy is to develop projects that can expand the economic situation in the state, as well as providing employment. Directly or indirectly it is also hoped to attract tourists into the state and encourage local cottage industries.

The corporation will undertake various beneficial projects of development and the profit is channelled back for further developmental purposes. Priorities are given to joint venture projects with private firms (local or foreign) or by loans (local or foreign). As classified in the Enactment it is a

(1) Part IV. Duties and powers of the corporation, KSEDC Enactment, No. 10, 1966.

(2) KSEDC booklet.

preference for the corporation to pursue projects that creates employment activities rather than otherwise.

The Enactment No. 10, 1966 is to become the principle guideline of development in the state. It empowers the corporation to act in ways deemed fit in matters pertaining to lands, immovable properties or to take reasonable steps for purposes of development.

Under section 11 of the constitution, the aim and policy of the corporation is roughly defined. The development effort should affect both rural and urban with the expectation of active public involvement.

Much criticism against KSEDC have been heard. Some allegations were well founded and this was received by the corporation with a little agitation. One was given by the Secretary of Kelantan Malay Retailers Association. He said that the policy implemented by KSEDC was inconsistent with the New Economic Policy (NEP).

The corporation gave unequal treatment to Bumiputra retailers and wholesalers. Hence he pointed that KSEDC should review the policy as well as to streamline with the New Economic Policy of the Federal Government.¹

The first major problem facing the corporation is the lack of capital. Though loans were applied from the Federal Government in the earlier part of its establishment, only few were approved

(1) Straits Times, Monday 21st August, 1973.

on paper¹. The Federal Government was hesitant to approve loans because KSEDC was understaffed. There lack of personnel added problems in administration and implementation of projects.

Lack of necessary infrastructure within the state and its distance from vital port has accounted for the shortfall in some of its programmes and projects.

The Government is burdened with obligations economically, socially and politically. The establishment of a public enterprise like KSEDC is hoped to lessen certain burden of the state. Its investment commercially is a primary concern to strengthen and alleviate the economy of the state and to create opportunities for Bumiputra participation. The unemployed, especially the rural populace, is a source of labour which needs to be channelled into various projects of development. However, this is yet to be seen and achieved.

The order to have accelerated pace in state development, capital accumulation is of utmost importance. To realise this, the corporation seeks to be profit motivated. Development profit motivation, state interest and opportunities for Bumiputras do have a positive combination, but at times, conflict and dilemma may arise.

(1) PKINK: Ulangkaji Racangan M'sia 2, 1971-75.

(2) Ibid.

(3) Ibid.

II. AIM AND POLICIES

As a public enterprise, KSEDC was created by the state government to be entrusted with important functions. The state empowers the corporation to act in ways it deems fit in matters pertaining to land, immovable properties or any steps at all for development of the state¹.

The corporation has and will indulge in agriculture, fisheries, industries, commerce, construction and services. As stated in Chapter II, Kelantan needs extensive investment to uplift the agricultural sector, because most of the population receive their income from this economy. However, out of eleven big projects completed till 1973, eight were on construction (mainly housing and shopping complex). Among the forty projects completed and under planning², twenty projects are on construction. Within the first three years KSEDC has completed nine projects valued at nearly \$15,000,000.00³. It is clear that KSEDC has so far concentrated on the projects which promise quick returns.

The objectives outlined in the constitution is also the objective of development in general. Kelantan by 1970 census had 92.8% Malays, 5.4% Chinese and 1.8% others. To quote a senior Kelantan Civil Servant, "Development here means development for the Malay

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- (1) Section II, Part 4, Sub-Section (c) of the Enactment states that the corporation is: "to do all matters and things as are necessary ...". This reflect a glaring vagueness of the duty of the corporation.
 - (2) KSEDC booklet.
 - (3) Ibid.

community. Like most of the Malays everywhere, they are in poverty". Like most of the Malays everywhere too Malays in Kelantan reside in the rural sector (especially in agriculture and fisheries). There is therefore an urgency to place the goal of development in this sector. It is also within the function of the corporation to help the Bumiputra to participate in commerce and to reach the target aimed by the (NEP).

Vis-avis Kelantan Economic Planning Unit (EPU), and other government bodies, the corporation is to co-ordinate these objectives. It is the KSEDC's hope to complete a major part of these projects within the Second Malaysia Plan¹, though one should not be very optimistic about it with the many 'hurdles' on the way.

For any public enterprise, a socio-economic activities means projects and programmes that bring economic and social well-being to the population. The effect may be direct or indirect on employment, productivity and so on.

Economic development may also mean, to some people, increase in gross national income and increase in per capita income resulting from an increase in input.

(1) KSEDC booklet.

Social development, however, in this paper means, greater jobs opportunities, more agricultural programmes or agro-base industries, social services and so on. Proper placement of goals in development planning is important as a positive effort to bridge the gap between the have and the have-nots.

It should be fully understood that these two objectives are overlapping. For better understanding the writer uses profit-making motive as economic and people's 'welfare' as social. The choice between social and economic emphasis is a very difficult one and this is the dilemma KSEDC had faced and will be confronting in the future.

IIA. ECONOMIC OBJECTIVE

a) Area of Objective

The duties of KSEDC is defined very vaguely in the Enactment.

The area of activities within its power is too wide compared to its financial capacity. No one in the corporation really knows what the clear and precise area is with regard to the economic objective.

Due to financial short-coming, the corporation would concentrate on sectors or projects that will plough back a fast and sizeable amount of returns. This naturally means to venture into construction activities, commercial activities, real estate and so on, because it seems that the corporation is self-supporting. As a

result, economic objective is also financial objective.

b) Importance of Objective

Under Section II of the constitution, the aim and policy of the corporation are clearly defined. Development effort to be taken is for both rural and urban with hope that the general population would be involved in one way or another.

The state government is burdened with much obligation economically, socially and politically. The establishment of the corporation, a total government organ is to help lessen certain burden of the state. Its investment commercially should be a primary concern to strengthen and alleviate the economy of the state and to create opportunities for Bumiputra participation. The unemployed, especially the rural poor has to be drawn into various projects of development.

It is the primary purpose of KSEDG to help increase the welfare of the people and deviation from this, is a displacement of goal. However, it is obvious KSEDG ever since its establishment has emphasised profit maximisation in most of its projects (refer to table). Employment opportunities created from projects completed in mid-1973 was roughly about 1,096 places. In 1972, alone the registered unemployed seeking jobs was about 10,166¹.

(1) Source: Labour Office, Kota Bharu, Kelantan.

The priority for profit maximisation to the people's welfare defeats the whole idea and purpose in the establishment of KSEDG. If this trend is constant in the future, then the motive of one corporation as a public enterprise has coalesced with the motive of private companies.

However, most of the officers in the corporation strongly believe that this approach is necessary to strengthen its economic power and therefore it is only temporary. The officers explained that it is only a mean to an end and will never be an end in itself.

The question is where and when will it end. With the lack of personnel and the attitude of the state government financially towards the corporation it will take a very long time for it to be strong enough to switch to social objective. Until then the needs of the populace will be neglected.

IIB. SOCIAL OBJECTIVE

a) Area of Objective

To differentiate social objective and economic objective is not so easy because to a certain extent they overlap. There may be a long term social effect to economic objective as well as a long term economic effect to social objective.

For our immediate purpose, we shall identify social objective more in term of increasing people's welfare. Any more towards the betterment of the masses especially the rural populace is considered social. The betterment of infrastructure for instance (or health,

education, communication, etc.) may help gradually to uplift their level of existence, and economic productivity.

If for instance a project launched by KSEDC is economically non-viable, but in consequence create jobs opportunities or it is in compliance with the New Economic Policy, i.e. providing 30% Malay participation in commerce and trade, then this is considered social in objective.

b) Importance of objective

Even though poverty in Kelantan is the Malays concern, the state development projects, however, are not intended to favour the Malays but aim to uplift economically all the ethnic groups. Being the majority, it is merely incidental if the Malays benefit from such government efforts.

Thus it is the function of KSEDC to create as many projects possible in which more Malays would participate. The establishment of the commercial division for instance is to set up a business base for Bumiputra retailers and wholesalers (Refer to Appendix III).

All KSEDC in Malaysia are directed to have a commercial division. For SEDC Kelantan it is called 'Syarikat Perdagangan PKINK'. Goods which are difficult to be obtained by retailers due to artificial shortages are now within their easy reach. This division will buy the goods wholesale and distribute them to Bumiputra retailers.

Retailers too are able to obtain goods on credit from KSEDC and this has greatly helped them as well as encouraging other interested Bumiputra to join the business field. It is also hoped that the intervention of KSEDC in business as a supplier to small businessmen, will be able to regulate the cost and to check rising prices.

Presently, a business emporium is built at the state level to act as a supply-house. Distribution centres will also be built in districts as well as village levels.

This commercial division is expected to be a training ground for Bumiputra in business. The guidance and help given is only temporary in the sense that the control over the private venture diminishes as soon as the Malays are able to stand on their own.

Under the New Economic Policy the Government hope to increase Malay participation in business up to 30%. It is on this line that commercial division is to function.

III. STRUCTURE OF ADMINISTRATION

The organisation in the structure of administration of KSEDG as outlined in the constitution¹ provides that:-

The corporation shall consist of:

- a) A chairman who shall be a person for the time being holding the office of Menteri Besar, Kelantan.
- b) A deputy chairman who shall be a person for the time being holding the office of Timbalan Menteri Besar, Kelantan.
- c) Two ex-officio members, who shall be the persons for the time being holding the office of state secretary and state financial officer.
- d) Not less than and not more than five other members who may be deemed fit to be appointed by the Ruler-in-Council (Refer to Appendix).

(1) Enactment No. 10 1966 p.p. 2.

S.E.D.C. Board.

1. Chairman: Menteri Besar
(Principle Managing Officer)
Policy and Planning Supervision
and Control over implementation
of Lembaga's decision.
 2. Deputy Chairman: T.M.Besar.
 3. State Secretary
 4. State Financial Officer
 5. 5 members (appointed by
ruler-in-council)
- Advisers, planning and policy

S.E.D.C. OFFICERS

General Administrator.
Undertaking general
administrative work

General Manager (Chief Executive)
Monitoring and review of progress
general adm. preparation control
of budget, implementation of rural
and urban development, social
services, publicity etc.

Business Administration
Administration various
division of business,
evaluation on dev. etc.

Finance Accountant.
Control expenditure,
budget, finance and
annual auditing etc.

Project Manager.
Evaluation, appraisal and initiation
of project to be implemented
directly by the corporation or
by independent agencies namely
in agriculture, forest, commerce
transport and industry.

Planning and Research Off.
Research and reports on
projects
and evaluation.

Technical Service Off.
Technical service,
Engineering services
for construction pro-
gramme, public utility,
architectural planning,
design supervision etc.

The above persons make up the Board of Governors as supreme administrators and policy makers. It is in their power to chart the trend of development policy to be undertaken by KSEDC. Therefore activities of KSEDC is a reflection of their views of development.

The general working body of the corporation is made up of Government Officers and Civil Servants (Refer to Chart). They are the general manager (Chief Executive), general administrator, business administrator, finance accountant, project manager, technical service officer, planning and research officer. These people lay the groundwork and implement policies from above.

The general manager who is Chief Executive is the main link between the Board of Governors and the corporation. Among his many functions, he is to monitor and review projects, general

administration, prepare and control budget, implementation of rural urban development projects and social services and publicity.

The project manager is attributed with many important functions like compiling reports of the planning and keeping records for further research. He makes assessment and approval on efforts taken personally by KSEDC or the independent private companies whose joint venture interest with the corporation vary. Their interests range from agricultural, forestry, fisheries to commerce, housing developments and industries.

For every project to materialise, the proposed agreed upon by the makers, will have to pass through the hand of planning and research officer. The important functions of the offices are surveying the project planning, making counter-proposal and the general reports of the feasibility study.

On side of finance, the officer in charge is an accountant. He prepares the actual budget of projects approved by the project manager. In addition to keeping daily account of Debits and Credits of the corporation, he and another associate accountant prepare the audit annually. He is to account for the loss and gain of the corporation to the Board of Governors and he reflects much of an indicating road of constant progress.

On the technical service side, an officer is in charge of the engineering provision for construction programme, public utility

services, architectural and planning, design and supervision.

For the smooth running of the whole network, the general administrator is responsible. He aids the general manager (Chief Executive) in all functions, as well as the daily administration of the office.

The most important person in regard to power is the Chairman. Since he is also a Menteri Besar as well as Chairman for other state developing organs, it is within his power to co-ordinate the policy of all towards common objective. The working departments, such as the District Office, P.W.D., D.I.D., Agriculture, fisheries, veterinary and so on are under his direction to aid projects undertaken by KSEDC or the State Economic Planning Unit.

The Menteri Besar in Kelantan is the person who can approve or reject the decision of the Committee. Not only is he influential in the Board of KSEDC but he also has the administrative control over the officers and other members of the corporation. This is clearly defined in the Constitution¹.

The members of the Board also happen to be the state political elite. At every meeting which is held at least once a year, they evaluate project proposal. The approved project is then passed over to the corporation for implementation.

(1) Enactment No. 10 1966, Part III (3).

Two weaknesses seem to be obvious: Firstly political interest has influenced the development policy. Secondly as stipulated indirectly in the constitution of the corporation, members interested may partake in development project directly or indirectly¹. This possibility has created ambiguity in the position of policy makers. They are politicians who are members of the Board of Governors, makers, implementors of development and not to forget as private investors as well. One may ask whether they are socially or economically inclined.

(1) Ibid: Part II No. 8 (a) (b).

(2) The Land Use Act.

IV. KSEDC AS A DEVELOPMENT AGENCY

The corporation began active participation in development in early 1970. Within the dormant period of 1966-1970, the corporation was evaluating the priorities in its development approach. From the early stage, it has to face the shortage of capital and personnel. Therefore it became a common awareness of the need to strengthen the economic base of the corporation.

In its first effort in late 1969, three agreements with the private sectors were dealt, and it involved timber areas of about 215,000 acres¹. 100,000 acres of the above total acreage were given to a private company (Syarikat Great Eastern Mill Bhd.). It is a joint venture project between KSEDC and the company produces plywood.

(1) Ulu Lobir area: Kelantan.

A small market place situated at Jalan Post Office Lema, Kota Bharu, was also built and it cost roughly 21,000,000.00 including the cost price for the site.

To cater for tourist and dignitary visitors to Kelantan, a hotel complex was built. It is a four storeys building situated at

The factory is built on a 36-acre area, situated at the 40th mile Kuala Krai road. KSEDG holds a share of 20% out of \$10,000,000.00 approved capital and it comes partly from the total acreage valued at \$8.00 per acre. The other 80% of the shares belong to Great Eastern Mill Bhd. which is a non-Bumiputra company.

As a next move the corporation began concentration of works on construction (building and houses). At Pengkalan Chepa, Kota Bharu, 32 units of houses were built on an area of about 1/6 of an acre. The price estimated is at \$17,500.00 per unit. Another housing project of similar kind was started at Jalan Bayam/Jalan Telipat, Kota Bharu. This second housing project, the estimated total cost is about \$5 million.

In 1971 several godowns were built at Jalan Maju at the overall price of \$500,000.00. Several more were built at Jalan Suara Muda, Kota Bharu, Jalan To' Chanor Machang.

A small market place situated at Jalan Post Office Lama, Kota Bharu, was also built and it costs roughly \$1,000,000.00 including the cost price for the site.

To cater for tourist and dignitary visitors to Kelantan, a hotel complex was built. It is a four storeys building situated at

(1) Interview with KSEDG Officer.

Jalan Dato Pati/Jalan Maju, Kota Bharu. The estimated cost including land is about \$1,000,000.00. To quote a KSEDG officer: "It is prestigious to have a hotel of an international standard"¹.

Another prestigious project is the 'uplifting-the-face' of the state capital. The project is for rebuilding and renewal of Kota Bharu town. It is undertaken with a loan from the Federal Government amounting to about \$8,000,000.00. However, a revised plan estimates 1971-75 is \$10,000,000.00. The balance to complete during the Third Malaysia Plan 1976-80 is \$2,150,000.00.

KSEDG has also given concession to many private developers of timber lands amounting to about 120,000 acres. In addition to paying 'tribute' the lumbering companies will have to build class 'D' roads (classification J.K.R.) of about 30 miles. One of the roads begins from Kelantan/Perak border to Gua Musang. This road is the east/west highway under the federal supervision and expenses. It was started in 1970 and to be completed within five years.

On the agricultural side, two projects are greatly emphasised. Firstly, the tapioca project, of which an area of about 3,000 acres of good land was allocated. It is located at the 11th mile, Kemahang, Tanah Merah, Kelantan. \$2,000,000.00 of capital is involved in the project. A factory will be built to process the tapioca and it will be able to help individual farmers as well.

(1) Interview with KSEDG Officer.

The second priority is the oil palm project at Sungei Jerah, Ulu Kelantan. The area is about 12,000 acres and the work had been started in 1973. A loan of \$15,000,000.00 was secured by the State from the Federal Government. If and when the project materialises it may draw in 1,000 workers at least.

A fishing project was also started at Tumpat, Kelantan. The capital involved in building ten boats of 30 tons each, completed with the fishing gears, was about \$500,000.00, of which \$400,000.00 was lent by Bank Pertanian Malaysia.

The efforts taken by the corporation has indeed been numerous and it had to a certain extent shown a genuine motivation towards achieving what is underlined in the Constitution. However, the Constitution too opened a field too wide for a small corporation in its infant stage to move about¹. This has caused ambiguity in approach.

The various sectors are agricultural, industrial, commercial, infrastructure and construction. Whatever sectors that have to be tackled are expected to involve the poor masses as well as to increase their productivity.

In Kelantan the rural population needs more agricultural development schemes. This is because they represent bigger slice of the overall population, and also because the state is agricultural in

(1) Section II, Part 4, Sub-Sec. C of the Constitution.

nature.

With these schemes, it is hoped that it will eradicate or at least put in check the problem of rural unemployment and underemployment, and out-migration of able males from the state.

With the development of the rural area, more infrastructure is to be built so as to provide easier passage for products from rural to marketing centers. This development will also bring rural and urban areas to a closer contact and thus bring wider and more development to the rural areas.

Hand in hand with agricultural productivity, industries which are agro-based in nature should be built. These industries will deal with all kinds of agricultural products (including sea-foods).

Generally, this is the trend expected to be taken by a public corporation in an agricultural state like Kelantan. However, there is ambiguity of approach as I have mentioned in steps taken by KSEDG.

From the table 3.1, it is glaringly clear that the corporation had concentrated efforts only in Kota Bharu area. Since establishment until 1974, out of eleven projects completed eight are located in the capital.

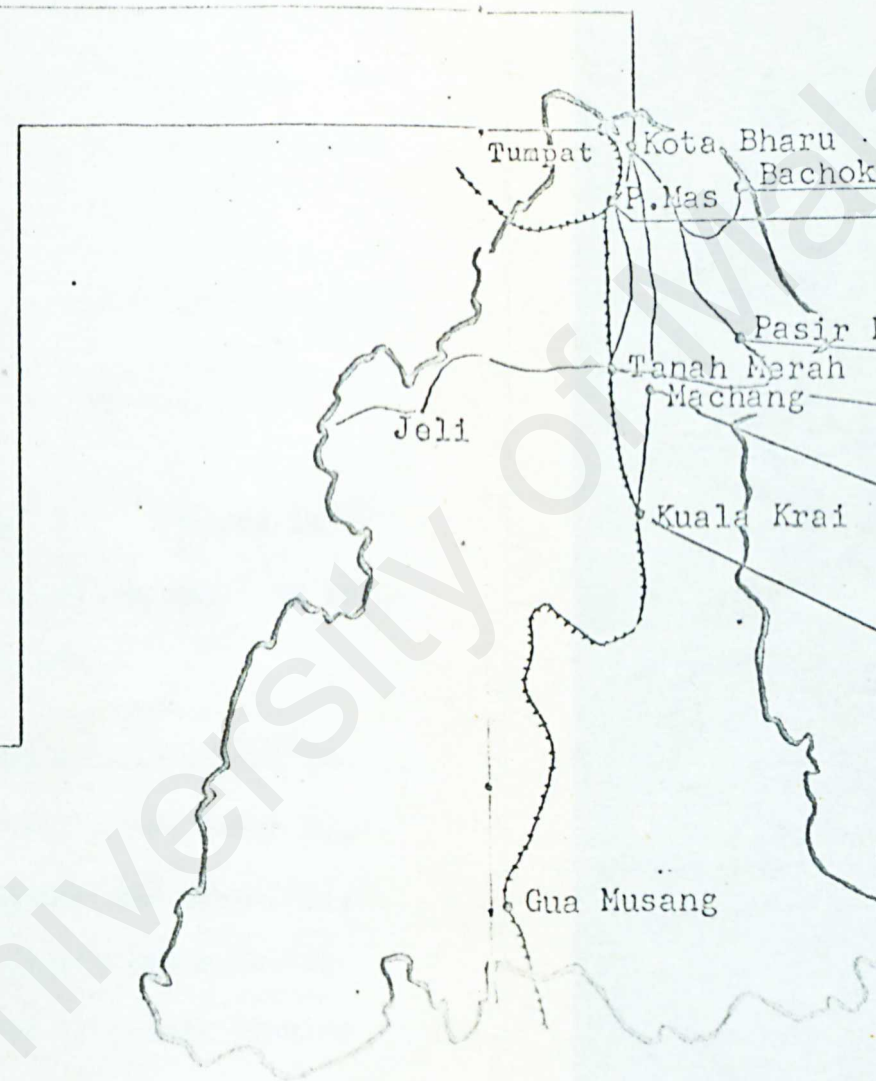
For the rest of the projects, completed, under planning and in progress, the distribution of them are as follows:-

PROJEK-PROJEK PEMBANGUNAN PILINK

BHARU

- 1. Rumah Kedai 7 Pintu 3 Tingkat (T.L.)
- 2. Rumah Kedai 2 Pintu 3 Tingkat (T.L.)
- 3. Syen Minyak I (T.L.)
- 4. Man Sekebun Bunga (T.L.)
- 5. Projek Perumahan P. Chepa I, 32 buah (T.L.)
- 6. Kompleks Hotel (T.L.)
- 7. Rumah Kedai 5 Pintu 3 Tingkat (T.L.)
- 8. Projek Perumahan P. Chepa II (S.L.)
- 9. Rancangan Bandar Kota Bharu I (S.L.)
- 10. Arikat Perdagangan PKINK
- 11. Kompleks Perumahan Jalan Bayam (S.L.)
- 12. Rumah Kedai 6 Pintu 5 Tingkat (S.L.)
- 13. Rancangan Bandar Kota Bharu II (D.P.)
- 14. Kawasan Perusahaan Pengkalan Chepa

- 15. Projek Pukat Tunda I (Peringkat I telah siap)
- 16. Projek Pukat Tunda II (D.P.)
- 17. Ang Air Batu (D.P.)
- 18. Ang Ikan Baja (D.P.)
- 19. Rumah Kedai 4 Pintu 2 Tingkat (D.P.)
- 20. Ang Memproses Ikan/Undang (D.P.)



BACHOK

- 1. Rumah Kedai 3 Pintu 2 Tingkat (D.P.)
- 2. Kompleks Pelancungan

PASIR MAS

- 1. Rumah Kedai 6 Pintu 2 Tingkat (D.P.)
- 2. Kacang Tanah (D.P.)
- 3. Rancangan Perumahan (D.P.)

PASIR PUTEH

- 1. Rumah Kedai (D.P.)

TANAH MERAH

- 1. Kompleks Pejabat Tanah Merah (D.P.)
- 2. Kawasan Perusahaan 400 Ekar (D.P.)
- 3. Gula Kelantan (D.P.)
- 4. Rumah Kedai 12 Pintu 2 Tingkat (D.P.)

MACHANG

- 1. Kompleks Pejabat Machang (T.L.)
- 2. Rumah Kedai 5 Pintu 2 Tingkat (D.P.)
- 3. Perusahaan Pecah Batu — Quarry (D.P.)
- 4. Kawasan Perusahaan (D.P.)

ULU KELANTAN

- 1. Kilang Papan Lapis GEM (T.L.)
- 2. Ladang Awara — Gua Musang (S.L.)
- 3. Jalan Raya Gua Musang S. Siput (S.L.)
- 4. Kawasan Perusahaan (D.P.)
- 5. Perusahaan Membalik & Kompleks Kayu Kayan (D.P.)

Petunjuk:

- T.L. — Projek telah dilaksanakan
- S.L. — Projek sedang dilaksanakan
- D.P. — Projek dalam perancangan

* To be interviewed

TABLE 3.1 PROJECT CONCENTRATION

Area	Number of Projects
Kota Bharu	14
Tumpat	6
Ulu Kelantan	5
Tanah Merah	4
Machang	4
Pasir Mas	3
Kuala Kerai	1
Pasir Puteh	1

On the whole, these projects are urban orientated. Efforts in the rural areas are few and as a result the problems existing in these areas shall remain the same for a long time.

Secondly, it is obvious that there is the emphasis of concentration of projects on a single sector (Refer Table x and Graph x). From these total projects (completed, in progress and planning), the graph indicates a high frequency on the construction sector and low frequency on others. The construction is mainly housing projects and office buildings.

The writer feels that the emphasis of development activities undertaken by the corporation on this sector is gravely out of place.

Firstly, compared to other sectors, it commands lesser employment.

Most of the people involved in the construction are those from

(1) An interview with a member of the general public.

outside the state. Except for the labourers, most of the contractors, sub-contractors, suppliers and machineries are most from outside the state.

Secondly, these activities do not affect the rural populace. The problems mostly exist in the rural areas and efforts so far taken touch only the periphery of it.

Thirdly, houses and buildings in Kelantan are adequate for now and for many years to come. From the report obtained at the Economic Planning Unit and on interview with one of the Directors, it is clear that the state presently have adequate houses and buildings. What the state needs most is schemes that can boost agricultural productivity as well as creation of employment opportunities.

Fourthly, houses and buildings so far only cater for the middle class and higher income bracket. The types of houses built so far, and the cost of it are well beyond the reach of the poor. A question was asked: "The houses, office building and business centers are for whom?"¹

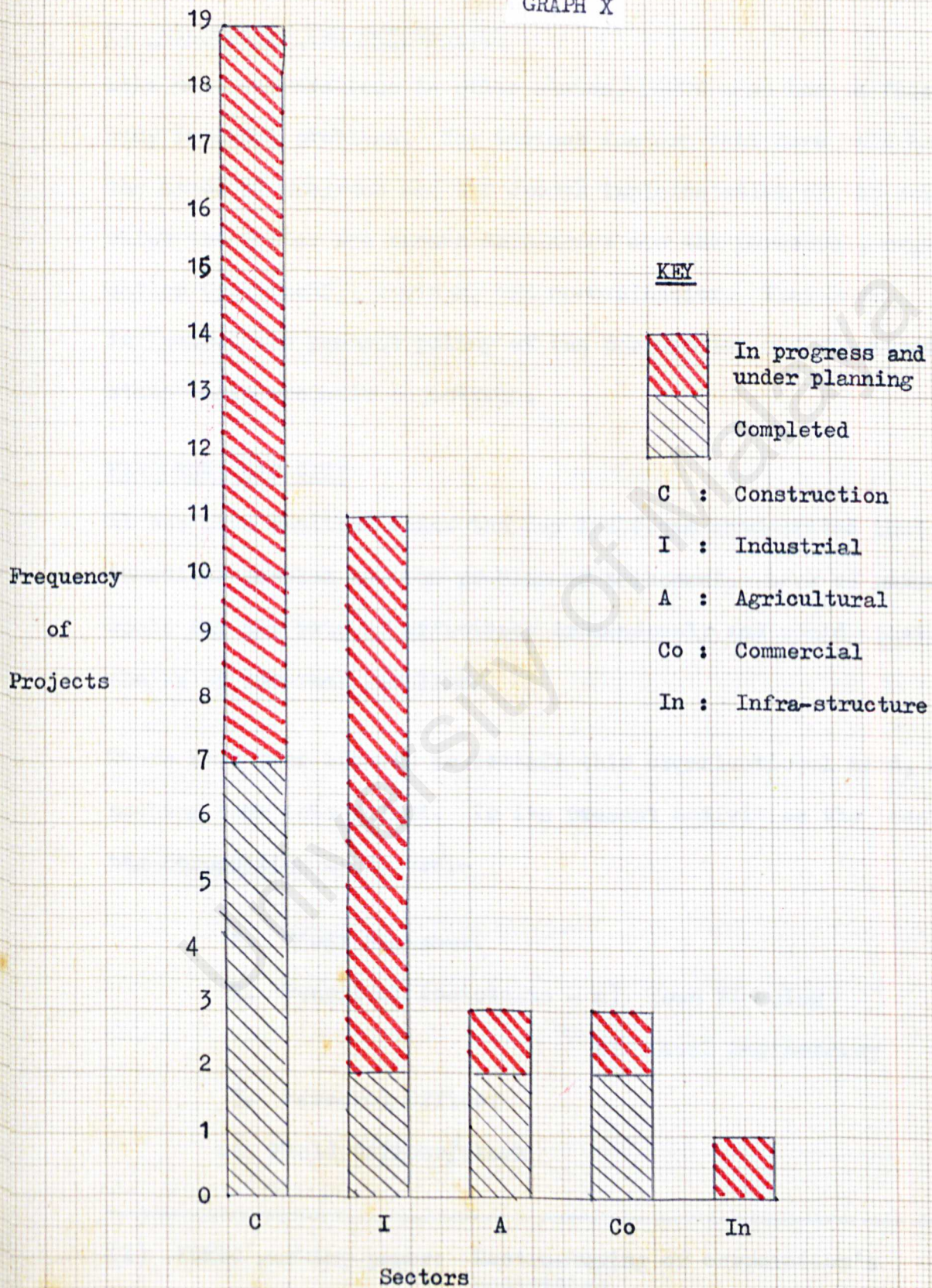
A revision is needed to resolve this ambiguity of approach. The priority given to various sectors should not only take note of the economic interest of the corporation or certain sectors of the business community - but it should also give at least an equal preference to the benefit of the masses.

(1) An interview with a member of the general public.

TABLE X KSEDG PROJECT BY SECTORS

PROJECTS COMPLETED	Agriculture	Commercial	Construction	Industrial/Agro Base	Infrastructure
1) Shop Houses 3 storeys (K.B.)			X		
2) Shop Houses (in exchange for scout bldg.)			X		
3) Petrol Station		X			
4) Shopping complex (Taman Sekebun Bunga)			X		
5) Housing Estate (Pengkalan Chepa)			X		
6) Hotel Murni			X		
7) Shop Houses 5 blocks 3 storeys			X		
8) Batek Emporium Building		X			
9) Trawler Fishing I				X	
10) Office Building (Machang)			X		
11) Great Eastern Mills Bhd. (plywood factory)				X	
PROJECTS IN PROGRESS					
12) Pengkalan Chepa housing complex II (K.B.)			X		
13) Kota Bharu rebuilding project I			X		
14) Housing complex, Jalan Bayam (K.B.)			X		
15) Shop Houses 6 blocks 5 storeys (K.B.)			X		
16) Public Estate Gua Musang	X				
17) Gua Musang/Sungei Siput Highway					X
UNDER PLANNING					
18) Kota Bharu rebuilding project II			X		
19) Trawler fishing project II (Tumpat)	X				
20) Ice factory (Tumpat)				X	
21) Fish Mill factory (manure) (Kilang Ikan Baja)				X	
22) Shop Houses 4 blocks 2 storeys (Tumpat)			X		
23) Prawn/fish processing factory				X	
24) Shop Houses 3 blocks 2 storeys (Bachok)			X		
25) Shop Houses 6 blocks 2 storeys (Pasir Mas)			X		
26) Groundnut processing plant (Pasir Mas)	X				
27) Housing complex (Pasir Mas)			X		
28) Shop Houses (Pasir Puteh)		X			
29) Office Complex (Tanah Merah)			X		
30) Industrial Estate 400 acres (Tanah Merah)				X	
31) Sugar plant (Tanah Merah)			X		
32) Shop Houses 12 blocks 2 storeys (Tanah Merah)			X		
33) Shop Houses 5 blocks 2 storeys (Machang)			X		
34) Quarry (Machang)				X	
35) Industrial Estate (Machang)				X	
36) Industrial Estate (Ulu Kelantan)				X	

GRAPH X



PROJECT IMPLEMENTATION BY SECTORS

* The graph is writer's own.

V. DILEMMA IN THE CORPORATION

Like most corporations in other states, KSEDC also has to face many internal problems. The various factors that have held back the speed of progress and the smooth implementation of the schemes which the writer has chosen to discuss are the personnel, organisation (political), savings, and co-ordination. They have influenced the present policy of the corporation and displaced the state socio-economic objectives.

PERSONNEL CAPACITY

It has been realised since the day KSEDC was inaugurated that the immediate problem was the problem of personnel. Lack of personnel would cut the rate of efficiency tremendously and could create chains of internal problems. There have been efforts to rectify this organisational need, however, nothing came into effect. In its present activities the least that the corporation needs are¹:-

1. Civil Engineer.
2. Technical Assistants - a) Town Planning
b) Civil Engineering
3. Research Officer
4. Field Officer/Clerk

(1) KSEDC working paper: Restructuring of corporation's activities.

These vacancies have not been filled because of the lack of financial assistance from the state or the Federal Government. The state government has not been able to continue her annual aid to the corporation for many years already due to her constant balance deficit. Aids and loans from the Federal Government are also hard to come by, because they want to be certain of the possibility of repayment and a reasonable income of a dollar for a dollar.

The Federal Government needs to be satisfied that the KSEDC is adequately staffed before any loan is approved. This is almost similar to what has happened between Federal Government and SEDC Trengganu and Sungai Tong oil palm area. ¹The late MB Dato Ibrahim Fikri had to take personal effort to convince the Federal Government of its viability before the loan was approved. The question of which should come first had been frozen until today.

FINANCIAL CAPACITY

Unlike SEDC Trengganu, KSEDC received lesser aid from the Federal Government. With the coalition government, more loans are expected to be obtained on easier terms. Until today, this is yet to be seen.

(1) KSEDC Trengganu:

Theoretically the corporation is supposed to be financed by the state government. However, this only happened in the initial launching stage where the state government allocated a sum total of \$1,000,000.00 for both years 1969 and 1970. Nevertheless only \$700,000.00 was available for investment and the remainder was held back by the government.

On account that the state government lack the fund, KSEDC no longer expect this annual aid, and instead she would borrow from the Federal Government through the state government. The corporation also may borrow from the commercial banks.

The corporation received from the state: agricultural lands, building sites, vast areas of timber lands and various assets, which had been developed in various ways. These resources are being given by the state from time to time.

These various resources obtained by the corporation is too meagre compared to the great task that it has to face. As reflected in the second chapter of this study, the area and sectors of development in Kelantan, is very wide. With its financial difficulty KSEDC has been reduced to a midget in the land of the colossus.

The dilemma here is on the allocation of its little resources, i.e. whether it is to be allocated more for social or for profit making projects. To pursue social objective means, to stagnate or deplete the capital, since there is no possible replenishment

from the state. On the other hand, adopting profit maximisation as an objective could mean neglecting the poor masses and desecrating the very purpose of its existence.

KSEDC has chosen the second option and it presently faces many social grouses. It stands firm in the belief that strengthening the economic base is only temporary and it is only a mean to an end.

After 1971, the Federal Government has increased her loans, and as such, several big projects were launched. Among them, two major projects of significance were the Public Estate Sungei Jerah and the Jalan Bayam development scheme.

Since most of the time federal loans were correlated with political motives, the corporation had to resort to loans from the commercial banks. The Trawler Fishing Project for instance (Phase I) was completed with a loan from Bank Pertanian Malaysia. Loans from the Malaysian Industrial Development Fund and a consortium of banks were also secured to complete the Kuala Kerai Plywood factory (The Great Eastern Mills Bhd.).

A fact to be taken into account is the control of finance by the state government over KSEDC. As a Public Enterprise, the corporation is supposed to be free of control at least financially, from the state government. This is to assure a smooth implementation of project. However, what has happened contradicts reality. For instance, whenever money is given by the Treasury

to the corporation via the state government, the money is delayed through formalities and sometimes unnecessarily. ¹As a result, KSEDC often resorts to borrowing from the banks and incurs interest liability.

ORGANISATIONAL PROBLEM

The administrative system of the corporation is divided into two (Refer to administrative chart). The Board of Governors are the policy makers and the administrators who prepare the groundwork and implementation of projects are the corporation's officials. These officials are the nerves that kept the organisation pulsating and their objective is for its ultimate success regardless of the method and ways it execute its duties.

What exist now is two modes of approach in development. The Board of Governors who are composed of the Menteri Besar, Timbalan Menteri Besar and other top government official, view development in socio-political aspect. Any scheme launched should directly or indirectly be in political flavour, as such that it can uplift the image of the state government.

Though Kelantan is now under the coalition government, fundamentally it is the Pan Muslim Islamic Party (PMIP) which is in power. In the past, PMIP has been an opposition power and Kelantan has been treated with 'disfavour' by the Federal Government.

(1) Interview with KSEDC official.

Presently, under the coalition government, the flow of grants and loans into the state is more often. Politically, however, loans approved by the Federal Government will not be without 'strings' attached.¹ Sometimes this is distasteful to the state government. For instance, the state was reluctant to abide to the term laid out by the Federal Government over the loan of \$8,000,000.00 for the comprehensive development project of Kota Bharu. The Federal Government wanted the project to be undertaken on a joint venture between KSEDG and UDA.² The state government was reluctant on the ground that she had her state pride to consider, whereas the corporation has no objection at all. This is an example of the different points of view existing in the organisation. To the corporation officials, they are more concerned with the completion of the project, and are willing to abide to any terms as long as it is economically viable.³

The practical proper co-ordination does not exist. Though meetings were held of all departments, agencies, and bodies, no real flavour resulting in the tussles of objectives between them and the administrators. This situation often hinders unnecessarily the smooth flow of projects implementation.

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- (1) Interview with a Kelantan Civil Servant.
 - (2) Interview with KSEDG Official.
 - (3) Ibid.

CO-ORDINATION

The objective of the establishment of the Economic Planning Unit (EPU) in each state is to centralise and co-ordinate the work of development of all government departments and agencies.

The EPU provides a state operation room where the overall development policy for the state should be traced and laid out. The Chairman is also the Menteri Besar and members of the Board are also the top Government Officers and politicians.

EPU does not possess the qualities of a public enterprise, though it also functions to accelerate and develop the various sectors in the state. It does not have the capacity to race vis-a-vis private enterprises. However, the importance of its function as co-ordinator for the whole network of development and assistance for the private and public developers, is unquestionable.

The practical proper co-ordination does not exist. Though meetings were held of all departments, agencies, and bodies, no real assessment and evaluation have been done. At every meeting, P.W.D. (Public Works Department), and D.I.D. monopolise the situation to present their amount of work. There is no such thing as a general assessment of work, especially the rural areas where most of the planning and work are needed.

KSEDC has their own schemes of development activities which is more profit motivated than social. As a result of this, development

has been neglected. Due to better infrastructure, facilities and opportunities of the urban areas receive most attention from the private investors as well as the public investors. Opportunities for the bulk of the population who live in the rural areas have been denied.

PRIORITY OF PROJECTS

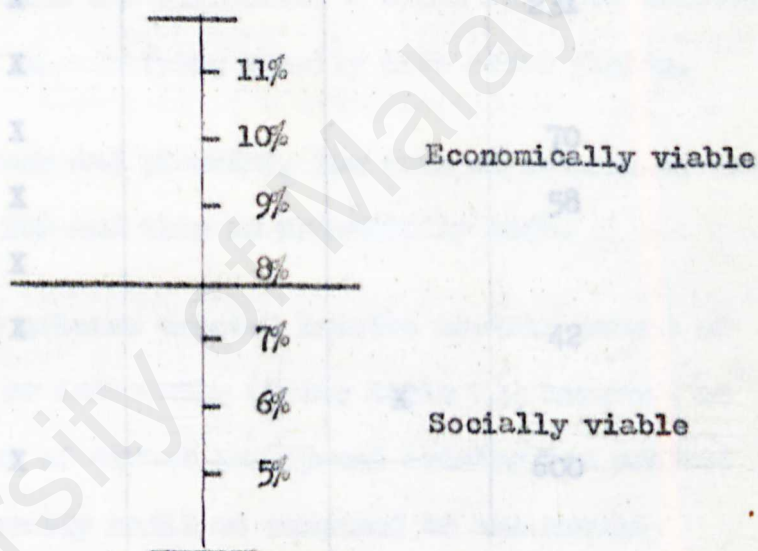
Faced with the problems of personnel, financial and political interference, KSEDG will have difficulties to make its choice of project priority. To pamper its political masters means to be socio-political and this may stagnate development. It seems equally unreasonable to be totally social in objective when it has to confront constant financial problem. As a public enterprise existing side by side with the private sectors, it has to adopt the criteria of quick returns in its investment¹. To quote an officer²: "We have to make money today to plan on for the next investment tomorrow".

The author identifies an investment as economically viable in terms of rates of return on capital. The vertical line as shown below indicate the points in rates of return. The 8%³ return on capital is the mid-point between economically viable and socially viable. Any returns above this point shall be considered as

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- (1) Common view of the corporation officials.
 - (2) Interview with KSEDG Official.
 - (3) Treasury has fixed a rate of return between 8% - 10% (for eastern state of West Malaysia) for any loan.

economically viable and what is below is socially viable. Superficially an economic motivation is detected over the high rents, high prices and the amount of profit ploughed back. A classic example of this is the Pengkalen Chepa housing project completed in .

RATES OF RETURN TO INVESTMENT¹



A project is considered social when it creates more employment opportunity for the rural poor, provision of more services, low rents as well as any effort in the creation of Malay business base.

For the purpose of this study a service is considered any activity created not for the purpose of profit making, and any return made is merely to cover up its total cost.

(1) The rate of return has been fixed by the Treasury between 8% - 10% for any loan (for eastern state of West Malaysia).

TABLE 3.3: KSEDC PROJECT PRIORITY

Project No.	Economic		Social	
		Rates of Return	Service	Employment
(Completed)				
1	X			85
2			X	
3	X			
4	X			231
5	X			
6	X			70
7	X			58
8	X			
9	X			42
10			X	
11	X			600
(In Progress)				
14	X	9.46%		88
15	X			
16	X	13.0%		1,250
(Planning)				
20	X	14.0%		X
21	X	19.5%		X
23	X	20.0%		X
26	X	16.5%		X
30	X			
34	X	15.0%		X
37	X			X

The table is writer's own classification.

The corporation has completed about eleven projects presently (Refer to table 3.3). Two projects are considered social: One is the petrol kiosk I Kota Bharu; the other is the office building in Machang which actually is supposed to be built by the state government.

The rest of the project completed has brought great profit to the corporation and this has influenced a trend for more construction work instead of diversifying equally into other fields.

For project in progress and planning, the rate of returns assessed is between 9.46% to 20% and this is undoubtedly high.

Although most of the schemes created involve certain amount of employment directly or indirectly (Refer table 3.3) however, so far, the total amount of direct employment arising from project completed is considerably small as compared to the amount registered in the labour office every year.

This has solidified a point to an ambiguity as to whether KSEDC is socially or economically motivated. The amount of employment and services is much lower in relation to the amount of profit created or the rates of return on capital, and this clearly categorises the corporation in the economically orientated rather than otherwise.

(1) Table 3.2: e.g. a) Fish canner factory (Tampar).
b) Fish/Fram processing factory (Tampar).

Given a favourable condition, the author believes that the corporation can commensurate the objective of NEP in three ways. Firstly, the reduction of racial economic disparity. Secondly, creation of employment opportunities and thirdly, the promotion of overall economic growth.

It is appropriate for the corporation to give equal consideration sometimes for project of social benefit, which is to say greater employment of the rural masses. For instance, project like the Public Estate Sungei Jerah, on completion may employ roughly about 1250 workers; integrated timber company about 570; and the Industrial Estate of Pengkalan Chepa may employ about 1,000 workers. These projects are still in the planning stage and it is hoped that with their success a greater percentage of the society can benefit from the positive effect.

Projects for fishermen¹ and farmers may also have a double effect. Apart from direct employment, indirect employment may also be created in its wake. The Trawler Fishing Project in Tumpat for instance, has created 42 jobs as direct employment. However, the total employment created directly and indirectly are 500 jobs. This is the type of consideration that a public enterprise should bear in mind as an ultimate target in its development effort.

(1) Table 3.2: e.g. a) Fish manure factory (Tumpat).
 b) Fish/Prawn processing factory (Tumpat).

On industrialisation, the state has allocated areas for this purpose in Pengkalan Chepa (Kota Bharu), Machang, Tanah Merah and Ulu Kelantan. There industrial planning is well-spread out to cover the rural areas, in order to cater for rural labour as well as to bring in a general development into the area.

This change in attitude from urban orientation to rural, is to avoid further 'lopsidedness' in the Malaysian economy. As it is today industries mushroomed only in western state of West Malaysia, and it also clusters around the urban centers.

Industries in Kelantan must be agro-based industry will make use of agricultural products and labour, resulting in double advantages.

Other advantages are:

- a) It avoids the 'evil' of rural-urban drift and out-migration.
- b) It brings in a multiplier effect, such as township, schools, basic utilities, such as water supply, electricity, health centers, etc..
- c) Malays are the majority of rural populace, thus efforts in this sector mean efforts for the Malays.

The corporation has to answer many questions regarding its purpose and function of existence. How could it undertake effectively the share of development in the state, with the meagre amount of resources and inadequate personnel? How could it be effective

when the political masters constrict its activities and squeeze its finance? With these problems running constantly the corporation will have a hard time to quell the public grouses and allegations.

a social conscience competing with private enterprise whose only objective is profit maximisation at the expense of the poor masses. Its failure may dishearten further establishment of other public enterprises, which mean that private investors will flourish.

It is therefore the function of the state government to nurse and aid the corporation, giving it strength to run errands of state. Presently, it is a sickly child, denied of resources to stand and exist only on its own feet.

The Government on her part must review policy held over the corporation. Firstly, she must ease control over finances and release the corporation to take its own choice of resources, regardless of the political reflection. She must not hold back for any purpose, funds of the corporation granted by the Federal Government. At the same time, she must not be too fussy over KSEDC partners participating in joint venture projects, as long as they bring benefit to both the masses and the corporation.

VI. CONCLUSION

The success of KSEDC is vital since it represents an economically active body with a social conscience competing with private enterprise whose only objective is profit maximisation at the expense of the poor masses. Its failure may dishearten further establishment of other public enterprises, which mean that private investors will flourish.

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It is very important that the government restructure the state development programme, by giving more emphasis to the rural areas. All the departments in the state must be efficiently mobilised and authorised to undertake the different spheres of development effectively. KSEDC must also be given a little power to dispose some working department (e.g. P.W.D., D.I.D., etc.) to aid projects that have connection with any rural development. In this way, the scheme will be economical, effective and quick in implementation.

The corporation must not expect a smooth sail over a calm ocean. Other state corporations too have to confront many obstacles, nevertheless they come out successful in their fields of development activities.

It is unwise to adopt a constant economic approach, without prior consideration of social needs. It is also unreasonable to draw too high a rate of return when it can make a little above the break-even point - KSEDC after all, does not handle too many projects at the same time. Because of this, the author feels that it will have ample time to recover the cost and recirculate for further investment.

A combination of sincere efforts on both sides will ensure better performance of the corporation in future public interest.

CHAPTER IV

CONCLUSION

THEORETICAL CONSIDERATION OF DEVELOPMENT

Development issues have been the monopoly of the economist for some time now and the general acceptance of it, created an entity which the sociologist finds hard to break. The history however have disproved this belief by exposing many a failure in development projects which have distorted the sociologist aspect.

The prime factor in the whole issue is man and their welfare. They are full of ideas and function, business and self-interests that motivate in CHAPTER IV: CONCLUSION the strong and the weak. To sustain themselves in a community, however, they introduced a code of systematic conduct in the acquisition of scarce resources and the organization for production. The distribution of production, ownership of resources and opportunity of participation again rested on the wishes of the strong and powerful.

Man's systematic conduct in production is the economic aspect and the behaviour in their everyday welfare is the social aspect. Both however exist in a tight relationship with each other.

CHAPTER IVCONCLUSIONTHEORETICAL CONSIDERATION OF DEVELOPMENT

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The prime factor in the whole issue is man and their welfare. They are full of whims and fancies, biasness and self-interests that culminate in the disparity between the strong and the weak. To sustain themselves in a community, however, they introduced a code of systematic conduct in the acquisition of scarce resources and its organisation for production. The distribution of production, ownership of resources and opportunity of participation again rested on the wishes of the strong and powerful.

Men's systematic conduct in production is the economic aspect and the behaviour in their everyday welfare is the social aspect. Both however exist in a tight relationship with each other.

(1) Henry Bernstein, Development and the social sciences in the introduction to underdevelopment and development. The Third World Today, 1973.

It is ridiculous therefore to disregard interdisciplinary importance and to separate economy, politics and sociology in any approach to development¹. Present day conception of development has fallen many forms. There are many who have transcended further than merely looking at development as an increase in productivity and national income to the malnutrition, poverty and diseases. Others have propagated the establishment of the equality of opportunity, to give full employment, to provide social services, equal distribution of income and political freedom.

The various approaches focus on the stages of development from one point to another. Social development in contrast to social change, shows a positive departure from an existing stage to a new one. It brings a favourable effect on a widening scale over economic, social, moral and other related aspects.

Social change can either be negative or positive though it may also reflect society in its movement. Take the case of India as an example, of a country that has passed from the traditional period through colonialism and finally to its present day independence. As a result of her chronic economic and social problems, we can safely conclude that she has not achieved much development and growth, but only social change.

(1) Henry Bernstein, Development and the social sciences in the introduction to underdevelopment and development. The Third World Today, 1973.

To quote, an economist, John W. Mellor: "Economic development is a process by which population increases the efficiency with which it provides desired goods and services, thereby increasing per capita levels of living and general well-being¹". Among the economists, we have the belief that a parallel increase in per capita income, an increase in national wealth, and a decrease in the population definitely may be regarded as an indication of development. As a result, economic process can be said to be connected with the process of checking the population growth. The world bank, for instance, imposes the condition of family planning before releasing the loans required by the countries in the third world.

The founding fathers of social science have at this present time written many ideas on development (as the society began its transformation). Dudley Seers², proposed three points as further necessary criterion to the existent superficial economic definition of development. These points need to be taken into account, for they transcend the limited aspect of per capita income. It covers: firstly the problem of poverty; secondly unemployment; and thirdly economic and social inequality. He

(1) John W. Mellor: The economics of agricultural development.
Chp. I p. 3.

(2) Dudley Seers: The Meaning of Development: a paper given
at the 11th World Conference of the Society
for International Development New Delhi
1969.

contended that development in a country can be measured by the amount of its effort in the eradication of poverty, the increase of employment as well as in closing the gap between the haves and the have-nots.

The intensive application of automation for instance may increase the national wealth and the per capita income, but it cannot be termed as progress at all if there is a parallel decrease in labour employment which often leads to greater unemployment.

If the usage of science and technology in economic development is at the expense of the poor masses and providing vast profits only for the rich, then development has not taken place, instead we have an intensification of the gap in the economic disparity that exists in society.

Development is only positive if the three impediments of poverty, unemployment, and economic inequality are decreased and that it is achieved under a condition of increasing national wealth.

Wertheim on the other hand looked upon development as having a close relationship with progress. However, he believed that progress does not occur through evolutionary stages but through constant state of revolution. It is neither smooth nor natural as was seen by both Comte and Spencer but is dialectic in nature.

To Wertheim progress is attained only when two principles are satisfied. Firstly, it is the principle of emancipation and secondly the principle of co-operation. The suppression of one group over another can be found in many ways and forms. Emancipation therefore is the setting free of this suppressed group. To achieve emancipation is to abolish the control of the powerful group over the economic resources of the weaker group.

The principle of co-operation is important in development, since it will be the combined effort towards mutually beneficial objective and it can be achieved in the absence of vested personal interest.

As opposed to Geertz, Wertheim believed that the principle of emancipation and co-operation can never be attained if the present political, economic and value systems are not revoked. The western capitalist system which has brought industrialisation, urbanisation, science and technology is the very same system that has created the suppression from one group over another.

The idea of Wertheim's is further backed by Gunder Frank¹ who stipulated that real development can never be realised if there is no change in the social structure.

(1) Andre Gunder Frank: The Sociology of Development and the Under development of Sociology, Pluto Press reprinted 1971.

(2) Kelantan is well known for her activities in Islamic theology. Apart from the institutionalised teaching at the 'Maktab Pengajian Tinggi, Hiliran Pari', there is also a widespread usage of 'pondok system'.

Earlier the author has discussed the state of the economy and the background of Kelantan, which has been isolated from the line of national development. This theoretical and practical consideration will be in close reference to the development strategies in the state and shall be duly discussed in the ensuing paragraphs.

In Kelantan, the system of free enterprise, ownership of private property and the freedom to accumulate capital and resources very much indicate a capitalistic nature. This is the remains of the impact of colonialist expansion on the indigenous, archaic structure.

As suggested by some western sociologists, development in the third world can be perused by the adoption of the systems that has brought both progress and advancement to the western nations. Along similar lines today, advocates of development in Kelantan have emphasised similar ideas to provide impetus in the projects and programmes in the state. With a little touch of socialism that is reflected in the views and methods of Islam¹ and a mixture of local genius, they have also come out with a new blend in the development formula.

Public enterprises, uphold social interests and objectives compared to private enterprises, whose sole target is profit.

(1) Kelantan is well known for her activities in Islamic theology. Apart from the institutionalised teaching at the 'Maktab Pengajian Tinggi, Nilam Puri', there is also a widespread usage of 'pondok system'.

maximisation which is without only regard of the social consequences. The latter has dominated the scene in the Malaysian economy for a long time, whereas the former has just made its introduction. Though in opposing views, they are expected to exist side by side in harmony. This is an example of a Malaysian approach to development.

Development strategies should have been more rural in outlook, since it is here in the rural areas where the root of poverty is found. KSEDG as an agency of development fully realises the urgency of the matter and this is reflected in its outline of its policy in the constitution. However, the successes in profit making of the private enterprises have enticed the corporation to deviate from its original objective.

What can be seen today from the policy of development is the view of the economist in its aim for more wealth in the state with lesser consideration in its examination of the situation of poverty, unemployment and the economic inequality in the society. This is contrary to the views of Seers, Wertheim and Gunder Frank, who had propogated that the prime objective of development is economic equality.

Poverty in general terminology is ambiguous, because it is relative in interpretation, for instance, what constitutes poverty in Kelantan may not be termed as poverty in Bangla Desh.

However, in the Malaysian context, the poor include the farmers, rubber-tappers and fishermen. These people possess a small proportion of the factors of production, employ traditional methods in agriculture and fisheries and they are also exposed to exploitation and unfair competition.

In town areas, these poor are the petty traders, gardeners, drivers and all those occupying jobs that require no specialised skills. Poverty therefore includes all the unemployed, under employed as well as the low-income group¹.

In Kelantan 15% of the population live in the five gazetted urban areas where development activities have taken place most significantly. In 1970, the population of the rural area was about 583.3 thousand, or 85% of the total. Between the period of 1947 to 1970, there has been a decrease in the population due to the migration of the people not only to urban areas but also out-of state. This accounts for about 9.9% of the total. Today the acute nature of the problem of poverty is undeniable, this is because of the imbalance of growth between rural and urban areas. Apart from this, one can look upon several other causes and the difference between them is the approach and the choice of its priorities. Five factors are often considered to be the

(1) Review of the Second Malaysian Plan, Percetakan Semananjong Malaysia, Kuala Lumpur, 1973.

dominant factors in the incidence of poverty:

- 1) Demography or the population size in relation to the available resources of land, capital and employment.
- 2) Cultural factors or personality traits as a dominant attribute of poverty.
- 3) Shortage of capital.
- 4) System of property ownership or the concentration of property in the hand of a few.

DEMOGRAPHY

Firstly, let us look at the problem of demography. A widely accepted assumption among those who believe in this is that an increase of population in relation to the available resources culminates in a decrease of per capita income.

The Malaysian Government too has accepted this view and this is evidently shown in her adoption of the Family Planning Programme. It is commonly believed, that with a smaller amount of population, each member of the society will be able to acquire a bigger share of the national wealth.

An important factor often discussed in relation to family planning is that the middle and upper classes are more readily inclined to accept the programme than the poorer groups. Due to this condition, the difference in sizes between the middle and upper classes as compared to the poorer class would be greater and the quality of the future generation would be either decreasing or stagnated. The 'good' quality children will be less in number compared to the 'bad' quality children. As a result of the vast economic and social differences between the two, there will be even greater suppression in the future of one group over the other, especially in the distribution of economic resources.

Though there may also be some truth in the idea of demography, somehow one must not discard also the problem of ownership and control over economic resources. In Kelantan, for instance, over 75% of the land and resources belong to only 20% of the total population. If such a condition is prolonged, one cannot see a positive effect of population control at all. The poor will remain poor and vice versa.

Gunnar Myrdal in his book, The Challenge of World Poverty, discusses this fact, stating that with the existence of control over vast resources by a small section of the society, there

tends to exist two kinds of shortages:-

- a) The shortage of overall resources.
- b) A decrease in ownership of resources by the poorer people because a bigger share is in the hand of the rich few.

In Kelantan, this situation of imbalance in ownership is also evident. Though alienated lands in less than half of the total area, and vast lands are still available for development, it is obviously clear that the social situation will remain the same if the present social system is constant. In the light of this statement, family planning would not solve the problem.

CULTURAL TRAITS

The second factor commonly considered to be the root of poverty is the cultural trait or the value system of a society. This approach is widespread among the sociologist who often emphasise cultural and value system as the explanation of a social problem. Two aspects often discussed are that firstly, the existence of cultural traits and personality traits are a direct cause to poverty and secondly, these traits often hinder progress and development.

This proposition, projects a stereo-typed thinking because it classifies the poor as being lazy, conservative (superstitious), spendthrift, and so on. Their economic outlook is said to be

fatalistic in the short term, especially on the aspect of saving and investments.

Raymond Firth in his book 'The Malay Fishermen' made a study on the Perupok area in Kelantan¹. In his intensive study of this Malay fishing community, he also described the cultural influences such as the belief in spirits, fate, the concept of interest on loans, and certain other traditional forms of behaviour, as factors that often hinder progress. It has a close relationship with the capital accumulation, market systems, technological standard and modes of production.

This concept of the behavioural pattern in a society as a cause leads to poverty has its discrepancies. The amount of days and labour hours the farmers and fishermen put up, their outlook towards the education of their children and their positive aspirations indicate their desire for a better life. However poverty has its circular causation or the 'vicious circle' which is often being discussed by economists such as Nurkse. This shall further be discussed by the writer in the ensuing paragraphs.

The peasants are poor not because of the cultural factors but because they are in a system where profit making, exploitation²

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- (1) Raymond Firth: Malay Fishermen - Their Peasant Economy 1939-40 revised edition 1966.
 - (2) Exploitation exists according to Marx where labour is being paid less than the amount of work being produced. The capitalist provides all the material necessary for production and labourers contribute effort. After deduction of payments to all the factors of production including their own fair reward, the capitalist still finds 'surplus profit' which actually is generated by the workers and rightly should have been distributed to them.

and unfair competition are ubiquitous. In this system, the reward is more for those who own than those who work for them. The farmers for instance are not only having low productivity because of not having enough lands to cultivate, but often half of his produce will be taken away by middlemen and landlords. The fishermen for instance lacks capital and facilities, this results in low productivity. They also have to face competition against the rich few who own bigger boats and nets and use modern gadgets and methods. These people are able to explore better fishing grounds a long way out from the shores.

Because of their poverty, the fishermen and the farmers generate low productivity and this gives them a low income. They have to abstain from the consumption fraction of this small income in order to be able to save and the general low saving among them only results in low capital accumulation and investment.

Looking at their condition as such, it is unreasonable it seems, if the government tries to inculcate middle class values and skills among the poor without first analysing the deeper ailments in the structure of the society as a whole.

Development efforts of the government for the rural people, often creates more opportunities for the exploiters rather than the peasants. With the better infrastructure, for example, the peasants are more prone to become victims at the hands of

the middlemen and businessmen from the urban areas. Therefore, it is vital to analyse development projects in its correct perspective, in order to avoid greater misery to the rural population. It is also the function of public enterprises like KSEDC for instance to help and organise the marketing of products of the rural people. Cultural traits are not at all the root cause of poverty, the core of this problem being the social system that was bred as a result of western colonialism in Malaysia.

SCIENTIFIC AND TECHNOLOGICAL KNOWLEDGE

The third and fourth approaches have a close association to each other and they are also said to be the causes of poverty. Firstly, the absence of scientific and technological methods in their activities of production; secondly, they are lacking in capital and resources. The reasons for their absence are:-

- a) The dependence of society on the traditional methods in production.
- b) The peasants are handicapped, as they do not have the means to acquire or purchase modern equipment because of poverty.

To those who propagated this approach believe that a simple solution to undertake the poverty problem is to introduce and intensify the workings of science and technology into the peasants' modes of production.

It is very true to say that in a society or sector where poverty is rampant, there exists a lack of modern technological knowledge and scientific concept of production. However, it is not necessarily true that an active application of the workings of science and technology can assure development for the poverty-stricken.

Let us take an example of Malay fishermen in Kelantan who have to use traditional methods in their profession because of the inferior boats, nets and facilities, they obtain low productivity. Recently with the use of bigger high-powered boats, better nets, freezers and so on, production has increased many folds. The positive effect of intensive application of technological methods is manifest, but two questions may be asked: firstly, who are the people who could afford to acquire the scientific and technological facilities; secondly, what will be the social effect on the poor masses.

Obviously, enough persons who could most afford these modern facilities are those who have high capital savings. With the introduction of 'trawler fishing method', they could cover wider fishing grounds more effectively, thus resulting in the decrease of opportunities for the poorer fishermen - since fewer fishes are left for them to catch. With the increase in scientific and

technological methods, the poorer fishermen are now having a tougher time in competing with those with capital. The direct repercussion of this being a decrease in their income level.

This situation slowly will create a tension-relationship between the poor who are greater in number and the rich who are fewer. Social conflict can be the final outcome resulting in killing, and also destruction of property.

Another effect of technological application should also be considered. That is, as the methods get more efficient, less labour would be needed thus creating greater unemployment in the society. Since this has happened frequently in many developing nations as a result of the application of the principles and workings of science and technology, (ECAFE) or the United Nation Economic Co-operation of Asia and the Far East themselves have made recommendations that industries built in these countries should not be too advanced so as to make obsolete human labour.

Planning development strategies in the light of such reasoning as these therefore should consider the peasants in their introduction of modern technology. Peasants should be given equal opportunities in acquisition and usage of the workings of modern technology, that is in the form of government aid, subsidies and interest free loans. A public enterprise like KSEDC can play a

vital role in helping the poor fishermen and farmers by bringing in more capital into the sectors and providing them equal opportunities. The corporation also can ensure the safety of the cottage industries in the hand of the peasants from being monopolised by foreign investors when more projects in this sector are launched. Both the government and public enterprises must be fully aware that, projects and programmes should benefit the masses as a whole and not just a segment of the population as has been done in India when they bet-on-the-strong.

SHORTAGE OF CAPITAL

Due to the lack of capital, the poor find it hard to acquire more lands for agriculture, machinery, fertilisers and other facilities which help to increase productivity. Their income are enough only to subsist upon, with either very little surplus or none at all for saving. In the present inflationary condition, for example, when prices for everything has doubled or tripled over the previous level, the peasants will find it even harder to save.

To the rich community, they have their surplus with which to accumulate and/or invest. However, to the poor peasants, they have to abstain from consuming a certain part of their income in order to save. This is the concept often described by Nurkse,

Professor Ragnar Nurkse in his 1952 Commemorative lectures in an economist, as the 'vicious circle'. Often because of its circular causation, the concept of poverty is said to be without origin, and this makes it rather difficult to solve.

As an illustration we could say that the peasants, due to poverty, contribute a very low level of productivity. Low productivity leads in turn to low income and low savings. Capital accumulation, which is also low because of limited saving, can generate only a low level of investment. At this point, the circle is complete, that is we have come back to the cause of the low level of productivity.

Gunnar Myrdal in his essay on 'The Principle of Circular and Cumulative Causation',¹ quoted professor C.E.A. Winslow: "It is clear ... that poverty and disease formed a vicious circle. Men and women were sick because they were poor; they became poorer because they were sick and sicker because they were poorer". He further reviewed Winslow who also pointed out that this spiral process causes the level to move downward, and that each negative factor is the cause and consequence of other factors.

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- (1) Economic Development and Social Change. The Modernisation of Village Communities, American Museum source books in Anthropology, edited by George Dalton, 1971, New York Chapter 17 Page 375.

Professor Ragnar Nurkse in his 1952 Commemoration lectures in Cairo commented that this circular constellation of forces, will react upon each other to keep the poor countries in a constant state of poverty. A poor man for example, who does not have enough to eat will be under-nourished and thus he would be weak in his health. Being weak, he will have a low capacity to work, and therefore he commands a low income which means that he is poor. He again will not have enough to eat because he is poor and so on and so forth. To a country in this situation, he summarised it by saying that "a country is poor because it is poor".

The logic in this cumulative argument is that it does not only manifest itself in the poorer communities, but it can also happen in the richer communities as well. The less poor could attain cumulative process upward. Those who are in a better income bracket will have better food and health which give them a greater capacity to work. More work creates more income and there will be a surplus for saving and capital accumulation. This circular process will gather momentum through its acceleration and it moves in a direction opposite to that of poverty.

This cumulative process according to Myrdall can cause increasing inequalities, if it is not effectively regulated. There is no such thing as automatic stabilisation in the social system, and it does not move to a natural equilibrium, but instead it moves

away from it with an accelerating rate.

He propagated that a position of rest in this circular movement can be achieved by policy interferences, planned and applied, in a sincere need of stopping it. The approach in the political policies of development must therefore be based on this idea, of circular and cumulative causation on conceiving these dynamic terms, the government needs them to push the relevant factors into what professor W. W. Rostow calls the "take-off-into sustained growth". By this principle, Myrdal believes that underdeveloped countries can hope to "lift itself by its shoe strings". However, they must afford the sacrifice of the waiting in order to achieve it.

This view is highly relevant in the Kelantan development scene. The problem of opposing movement in the regressive circulation of poverty and the progressive circulation of wealth has to be checked by the government. There are ways and means of halting the progressive movement of the wealthy, and one of the ways may be through the using of intervention by development agencies such as KSEDG, into the circular motion of poverty.

Agricultural schemes and projects properly applied will definitely increase productivity and income of the poor. This is only an example of a necessary injection into the system in order to

create an effect of a push upward to attain a gradual change from that of poverty towards less poverty and ultimately wealth.

The greatest hindrance that a developing state like Kelantan will have to face is the conflicting attitude of a certain powerful section in society who want the present social structure to be maintained and strengthened because it has all along provided them wealth, prestige and power.

To revoke an established structure for the welfare of the masses is a task that many developing countries today have not yet achieved.

SYSTEM OF PROPERTY OWNERSHIP

To the farmers, the most important property is land and to the fishermen they are boats, nets and other fishing materials. There are also various types of properties as far as the town dwellers are concerned and all of these provide valuable sources of income to the owners.

Simple logical progression will tell us that those who own more properties will command more income and vice versa. Furthermore, through the method of true competition, those who possess these scarce resources, such as land, capital and technology are easily in a better position to acquire more wealth and power.

(1) Gunnar Myrdal: "Challenge of World Poverty".

In Kelantan, the distribution of properties and resources in the society reflects the existence of a wide gap in the income distribution. The differences are great between those who possess capital and those who do not and those who have vast ownership and those who have moderate ownership of capital. Gunnar Myrdal describes this imbalance of ownership of capital as 'economic inequality'.¹

In the study of the sociology of development, this aspect is highly significant because economic inequality is in close relationship to social inequality. In Kelantan, for that matter, any society at all where social and economic inequality exists, it is seen that those who have advantages in the social sector are also those who have advantages in the economic sector. The Wakil Rakyat and the top politicians for instance have better access to state resources such as timber land, agricultural sites and so on. These people are often rich, and so for that matter are the businessmen and the members of the royalty, who make up the economic elites in the state. It is logical to argue that they are rich because they are not lazy and the wealth is a result of constant hard work? If this is true, then the fishermen and the farmers on the other hand must be lazy, lacking in enterprise and therefore they are poor. This is a common form of rationalisation of the existing state of poverty

(1) Gunnar Myrdal: "Challenge of World Poverty".

However, we must not deny the fact that there are those who work hard and yet fail to be rich. The fishermen for instance put out to sea at early dawn and come back late in the evening: the farmers toil on their land from dawn to dusk, and yet they are considered lazy and lacking in enterprise.

It is a fact that social and economic factors are closely related to political power either at local or national levels. An example of which is that there is a tendency for the political elites to have greater social advantages. The relationship between social, economic and political factors in the condition of inequality reflected a concentration of prestige and status, power, authority and control upon a certain group in the society.

In reality, the social differentiation connected to the economic and political inequality is based on the class differences in society, and this is a framework that we must analyse. When we mentioned that a class has power, wealth and prestige and the other has not, the picture is over simplified, because the truth lies the bare fact that there exists a polarisation between the haves and the have-nots or between the upper class and the lower class.

In any society where there is a structure which gives the upper classes opportunities to make use of political process, economic power and prestige, there will exist the success for a group constructed over the failure of another or to put it simply the

wealth of a particular group becoming source of income for the other.

Development projects and schemes do not profit the lower classes but it provides more opportunities for the haves to amass more wealth for themselves, resulting in the creation of a wider gap in the ownership of factors in the society.

When we discuss the imbalance of ownership between the upper classes and the lower classes, this often reflects an ideology of that society. In an ideology that believes in 'laissezfaire', poverty is rampant and disparity between the haves and the have-nots increases because it is the same ideology that bred the phenomenon. The upper classes find it necessary to defend this ideology because it provides them with security and well-being.

In the making of development strategies therefore the equality issue must always be central. Consideration must always be given on this problem relating to community development, agricultural policy, educational reforms and taxation because it will be an inhibition and an abstacle to development¹.

For the Kelantan development projects, it is advantageous to follow the idea of planning and a planned society. Though the repercussion may be great and the course difficult, the welfare of the masses must be the focal concern. However, it depends on

(1) Gunnar Myrdal: The Challenge of World Poverty, a world anti-poverty in outline, published in Pelican, Chapter 3 page 64.

the sincerity of the controlling authority, co-operation in organisation and action as well as in the abolition of old-established privileges and that of vested interest.

KELANTAN'S DEVELOPMENT AND KSEDG: AN ASSESSMENT AND PROPOSAL

Development strategies in the state has so far experienced many a discrepancy that has rendered accumulation of greater problems presently. In the infrastructures, the building and maintaining of roads, schools, hospitals and clinics, electricity, waterworks, mass media services and so on have been highly concentrated in the urban areas as are the fields of construction of buildings and industries. Rural development is only a trickle in the flow of 'centre-periphery' relationship.

Modernization and development have been closely related to the urbanization of northern areas around Kota Bharu, Tumpat, Pasir Mas, Pasir Puteh, Macang and Bachok. The remaining $\frac{2}{3}$ of the lands in the rural sector with a population of almost 85% of the total has experienced little development projects, thus creating pressure on the presently alienated lands, unemployment and underemployment.

There is a great imbalance in the regional pattern of growth resulting in gaps in the economic, cultural and social spheres.

(1) Informal dialogue at a gathering of Kelantan students, 4th November, 1974, at the Experimental Theatre, University Palace.

The failure to meet greater expectations and enhanced effective demand in the rural sector has induced the young and more mobile to migrate because the urban areas promise employment opportunities and a higher living standard. Big cities also provide the opportunity for advancement and social mobility, and this is not found in the rural areas.

The argument for the imbalance of growth and development efforts between the urban and rural areas is that the physical infrastructure and manpower of cities served as a foundation for industry and commerce. Y. B. Hj. Mohd. bin Ya'acob, the Minister of Power, Technology and Research, in an answer to a question regarding the shortage of electricity in Tanah Merah¹, said that electricity in that area presently is not of urgent necessity compared to other developing areas because it does not serve the purpose of industry or commerce.

No doubt the answer may have some foundation of truth, since the introduction of industries for example to the rural areas is a complex and difficult task requiring a full scale development effort. However, the question is, are we serving the needs and the general welfare of the poor population or the interest of the rich and the upper classes?

(1) Informal dialogue at a gathering of Kelantan students, 4th November, 1974, at the Experimental Theatre, University Malaya.

One must not forget that apart from the priority in the welfare of the poor, there is also a great opportunity in harnessing the regional development potential which stems from the people on the one hand, and their ability to produce on the other. This can be the basis for progress if it is organised in the correct environmental setting.

The agrarian can be very effective in production if there is improvement to the creation of conditions. In order to consolidate the achievement of reform, improved agricultural products must be organised. Agrarian reform is the first important tier in development structure. The industrial processing of the products and the provision of diverse services to the farmers forms the second tier. In this way, people displaced from the agricultural sector need not leave the region but can become involved in the overall betterment programme based on the output of an efficient farming community and the development of other resources in the region.

The enhanced purchasing power of the peasant will produce a greater effective demand for urban type services. Agricultural development will also promote the development of a rather wide range of processing industries from packing plants and saw mills to modern canning factories.

A rational development policy will strive at the maximum possible utilization of locally-based industries for processing regional agricultural products.

Regional development calls for integration of the rural and urban development cycles into a comprehensive and balanced strategy so that the improvement of one sector has a positive effect on the other and vice versa.

In introducing the planning approach three points must be emphasised:

- a) Firstly, the plan is the outcome of a comprehensive study by inter-disciplinary teams of the urban economy, sociology, regional and urban geography, and rural and urban planning.
- b) Secondly, the plan must be comprehensive, in the sense that it achieves the satisfaction of total needs and not just a fortunate section of the community, and that it is geared to initiate and sustain growth.
- c) Thirdly, the interaction between central planning and execution is basic to development. The vital role must be played by the Economic Planning Unit in the state to streamline development policies. Public enterprises like the KSEDC must serve to bridge the gap between ideas and their realisation.

In a state of Kelantan, especially social survey is most necessary. This survey is to assess the demographic structure, with special reference to the rate of growth of population, its

age structure and family size. It will explore the correlation between a group's socio-economic level and its educational standard, social stability, propensity to imigrate and its attitude to development. This survey will also analyse the existing administration, governmental system and the social structure.

KSEDC is an example of an agency with social consciousness and objectives. Its role in opening up areas, creating job opportunities and bringing development to underdeveloped regions is vital. Though it is only an agency among the many, its significance for the welfare of the masses is undeniable. It is hoped that the success of the corporation in the future would bring pride and prosperity to the people and state of Kelantan.

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APPENDIX A

CONCESSION OF TIMBER LANDS *

Nama Syarikat dan alamat.	Kawasan perijajahan	Keluasan (ekar)	Tarikh t.tangan	Tempoh
1. Perusahaan Timberine Bhd.	Tanah Kerajaan Jernai, Kortru.	300,000	20.7.64	33 tahun
2. General Forest Product.	T.K.Batu Papan.	43,200	27.6.70	28 tahun
3. Sungai Rek Pembangunan Bhd.	T.K.Sungai Rek	52,000	8.9.65	30 tahun
4. Persekutuan Lotfi Bhd.	a. Hutan Simpan Sg. Durian b. T.K.Batu Papan	100,000	22.11.69	40 tahun
5. Usaha Jaya	T.K. di Galas Nenggiri.	23,000	25.3.67	24 tahun
6. Trengganu Forest Product Sdn. Bhd.	Hutan Simpan S. Sator	35,000	10.2.71	21 tahun
7. Kelantan Enterprise Sdn. Bhd.	Hutan Simpan Lebir	10,000	8.1.68	13 tahun
8. Gua Musang Sdn. Bhd.	T.K. Gua Musang	15,000	13.11.68	16 tahun
9. Sri Bintang Sdn. Bhd.	T.K. Kemubu	40,000	23.3.69	25 tahun
10. Perusahaan Bengkat Sdn. Bhd.	T.K. Ulu Kelantan & Tanah Merah	20,000	31.3.69	21 tahun
11. Galas Sdn. Bhd.	T.K. Galas Nenggiri	30,000	20.4.69	25 tahun
12. Seri Padu Sdn. Bhd.	T.K. Dabong	a) 11,000 b) 30,000	14.5.69	13 tahun

13. Galian Kelantan. T.K. Galas Nenggiri	14,000	2.10.69	14 tahun
14. Bertan Timber & Sawmill Sdn. Bhd.	Hutan Simpan Bengkat	10,000	1.1.70 13 tahun
15. Haji Tengku Yaacob bin Tg. Mohd. Salleh	Hutan Simpan, Durian	18,385	30.5.70 24 tahun
16. Ong Kian Seng	T.K. Ulu Kelantan (SEDC)	100,000	10.9.69 40 tahun
17. Ong Kian Seng	T.K. Ulu Kelantan (SEDC)	15,000	13.11.69 15 tahun
18. Great Eastern Mill Sdn. Bhd.	Hutan Simpan Lebir (SEDC)	100,000	2.11.69 40 tahun
19. East West Logging & Ming Sdn. Bhd.	T.K. Ulu Kelantan (SEDC)	80,000	20.1.70 20 tahun
20. Kayuan G. Tahan	T.K. Ulu Kelantan (SEDC)	35,000	15.1.70 20 tahun
21. Syarikat Tembaga Sakti Berhad.	Hutan Simpan Relai	10,000	7.2.72

(4) PERJANJIAN SYARIKAT KAYUAN GUNUNG TAHAN BERHAD

* Obtained from the Department of Economic Planning Unit Kota Bharu, Kelantan.

Kelantan telah dibuat dengan Syarikat Kayuan Gunung Tahan berkenaan dengan kawasan Gunung Nising seluas 35,000 ekar terletak di daerah Nenggiri dalam jajahan Ulu Kelantan. Pihak Syarikat berkenaan dikenakan bayaran sebanyak 170,000 bagi perjanjian tersebut dan satu bayaran lagi sebanyak 22/- tiap-tiap satu tan kayu dikeluarkan dari kawasan tersebut sebagai bayaran 'tribute'....

APPENDIX B

(2) PERJANJIAN DENGAN ENCIK ONG KIANG SENG (LEONG MOH SAWMILL), KUALA LUMPUR MENGENAI KAWASAN DI GUA MUSANG (PKINK. 72)

Dua Perjanjian telah diikat dengan Encik Ong Kiang Seng dengan keluasan tanah 120,000 ekar. Satu benaan jalan akan dibuat dalam kawasan ini untuk memenuhi rancangan jalan dari Gua Musang ke Sungei Siput. Jalan ini seterusnya akan diambil oleh Perbadanan dan dengan demikian pihak Perbadanan akan berpeluang mengutip cukai (toll) dari sebarang lalu lintas bagi perdagangan melalui lalu lintas kepunyaan Syarikat Ong Kiang Seng sahaja dapat dikecualikan bayaran cukai tersebut. Jika darurat tidak berpenjangan kita akan berpeluang melihat sebatang jalan raya dari Gua Musang ke Sungei Siput dalam jangka masa (5) tahun lagi. Diantara lain-lain bayaran yang dibuat oleh Syarikat ini, sebanyak \$10,000 sebagai bayaran hangus dan wang pengkeram sebanyak \$100,000.

(4) PERJANJIAN DENGAN SYARIKAT KAYUAN GUNUNG TAHAN MENGENAI KAWASAN DI GUA MUSANG (PKINK. 72)

Satu perjanjian telah dibuat dengan Syarikat Kayuan Gunung Tahan berkenaan dengan kawasan Gua Musang seluas 35,000 ekar terletak di daerah Nenggiri dalam jajahan Ulu Kelantan. Pihak Syarikat berkenaan dikenakan bayaran sebanyak \$70,000 bagi perjanjian tersebut dan satu bayaran lagi sebanyak \$2/= tiap-tiap satu tan kayu dikeluarkan dari kawasan tersebut sebagai bayaran 'tribute'....

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