

## BOOK REVIEWS

---

*The Forest Resources of Malaysia. Their Economics and Development.* By Raj Kumar. Singapore: Oxford University Press, 1986. Pp. xvii, 268. S\$65.

---

At a time characterized by increasing concern for the continued sustainability of the world's tropical rain forests in the face of rapid development and industrialization, this study is a welcome contribution. It offers significant insights into the historical, political, and economic dimensions that have conditioned, and continue to influence, the expanding forestry sector of the Malaysian economy.

There is also a moral to this chronicle of the emergence of Malaysia as an important producer and exporter of hardwood. After World War II there arose a surge in demand for the commodity during the ensuing period of reconstruction and development. This demand was met by shifting from temperate to tropical hardwoods from West Africa, the Philippines, and Sarawak. However, by the late 1960s West African supplies became outpriced because of excessive exploitation and insufficient regeneration. It was at this point that Malaysia filled the niche created by harvesting species like keruing, meranti, and ramin. It is evident that "the rapid erosion of the primeval forests, followed by insufficient regeneration have produced rapid changes in . . . their supply areas" [p. 37]. There is now fear that the depleting forest resources of Malaysia portend a time when new species from unexploited Central Africa, South

America, and Papua New Guinea may take over.

Kumar offers impressive documentation of hardwood production and export growth in Malaysia. The forest industry has come to play a larger role in the economy. From a negligible contribution to the GDP prior to independence in 1957, its share increased to 3 per cent in 1960 and has remained at 5 per cent since the 1970s. Kumar conjectures that its actual role could even be higher because GDP measures only those items that are traded. Forests also contribute intangible benefits like recreation, aesthetic pleasure, and environmental protection which are non-marketable and difficult to quantify.

A commendable feature of this study is its attempt to examine forestry development in its social and political context. Malaysia's development planners have four major policy goals — to promote *diversification* in the economy by reducing its dependence on the colonial heritage of rubber and tin; to *reduce unemployment* and poverty; to *increase bumiputera participation* in commerce; and to ensure *30 per cent of bumiputera ownership* of wealth by 1990.

In the attempt to meet these policy objectives within the forestry industry, state governments have an important role because the ownership of forested lands is vested in them and not the central government. State governments have generally retained their ownership rights, but granted the right to harvest standing trees to private individuals and corporations. In accord with development policy a large proportion (70 per cent) of concessions are accorded to *bumiputera*. Kumar agrees that there is need to restrict the free competition in bidding for con-

---

cessions to meet the development objectives, but he finds that the instrument deployed is weak from the point of efficient resource management.

This follows from the econometric model he develops to examine the supply and demand relationships of Malaysian wood products and their future potential, and forestry's capacity to sustain and expand employment. Kumar finds that contrary to the expectations of economic theory, supply is price inelastic — it does not respond quickly to world market price fluctuations. He attributes the slow response to the system of concessions. When prices rise the supply cannot increase correspondingly because of the political barriers to bidding and obtaining concessions; when prices fall, the short leases of forest contracts do not encourage an operator to reduce the rate of cutting down of trees.

He also finds that the employment-output elasticity is high in the logging and plywood industries. They have a greater tendency than other industries to engage and shed labour. Thus, assuming the stability of elasticity estimates, the prospects of employment in the sector can continue to be bright only if it continues to thrive. Also if changes in technology occur that are less labour-intensive rapid labour displacement can occur.

It is only towards the very end of the book that the author examines more closely the crucial issue of conservation. However, he appears to identify it as a complementary aspect of development.

There is need for planners to be sensitive to the demands of conservation. It is the author's belief that economic development need not necessarily be at the expense of conservation and vice versa.

Conservation and development are actually more intimately interlinked. Can there be sustained economic development without conservation? Kumar himself recognizes early in his book that "the tree is simultaneously both the capital plant and the finished product". He also acknowledges that this "has special implications in forest accounting and planning of invest-

ment". However, this insight is not reflected in his econometric model.

In the first place the proper management of any industry cannot involve the degradation of its capital plant without threatening its long-term viability. Secondly the call "to develop our resources" by governments is often designed to develop resource-based industries and the economy *without* resource development. Kumar himself provides ample documentation of the degradation of Malaysia's forest resources. The development of the resource *per se* calls for a whole new econometric approach — one that takes into account the depletion of environment capital as the resource degrades. It is this broader econometric perspective that Kumar has yet to formulate. Nevertheless, in spite of this limitation, his study is without doubt a significant contribution to the literature on forest resource development in the region.

ARUN BALASUBRAMANIAM  
*Former Visiting Fellow, ISEAS*

---

***Industrialisation and Labour Force Processes: A Case Study of Peninsular Malaysia.*** By T.G. Mcgee with Chi Seck Choo, G.J.R. Linge, Geoff Missen, Kamal Salih, Michael Taylor, Mei Ling Young, Peter Warr. Research Papers on Development in East Java and West Malaysia No. 1. Research School of Pacific Studies, Australian National University, 1986.

---

This book contains a set of papers on the industrialization process in Malaysia, presented at a workshop sponsored by the Department of Geography, Research School of Pacific Studies, Australian National University, in November 1985. The authors offer a wide spectrum of views on the process of industrialization, ranging across the theoretical discussion of the meaning of industrialization, the cost-benefit analysis of the Free Trade Zones, the industrial sociology of Lower Kelang Valley, and the analysis of the