

REINVENTING DUALISM: POLICY NARRATIVES AND MODES OF OIL PALM EXPANSION IN SARAWAK

R.A. Cramb
University of Queensland

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“Practical men, who believe themselves to be quite exempt from any intellectual influence, are usually the slaves of some defunct economist.” (John Maynard Keynes)

Introduction

The twenty-five fold expansion of oil palm cultivation in Sarawak over the past two and a half decades constitutes the most rapid and radical transformation of the agrarian landscape ever seen in that state. From 23,000 ha in 1980, mostly in government schemes, the area planted with oil palm has increased to over 580,000 ha in 2006, mostly in private estates, closing in on an official target of one million hectares by 2010 (Figs. 1 and 2). Oil palm now accounts for about 5 per cent of the total land area and 55 per cent of the area under agricultural crops. What processes are driving this transition? The policy narrative consistently propounded in Sarawak since 1981 implies a dualistic conception of the agrarian transformation underway, such as prevailed among development economists in the 1950s. In this view, a dynamic, large-scale, capital-intensive, technologically advanced modern sector drives the process of economic development, drawing in and thereby transforming the resources (land and labour) of the small-scale, capital-constrained and technologically backward traditional sector. This 1950s dualism is combined with a contemporary “neo-liberal” twist, emphasising the (ostensibly minimal) role of the state in brokering “joint ventures” between the two sectors to facilitate the transformation, otherwise hindered by an outmoded tenure system and an undisciplined, unmotivated labour force.

The role of dualistic thinking in current policy was brought home to me when, in researching this chapter, I sought the latest official figures on oil palm area and production from the Planning Branch of the Sarawak Department of Agriculture, which produces the very useful annual bulletin, *Agricultural Statistics of Sarawak*. I was surprised to find that the figures have now been reduced to two categories – “estates” and “smallholdings” – with the former supposedly accounting for 97 per cent of the planted area. When I asked why the various categories of government schemes for smallholders were no longer identified, I was told that the Branch had been “instructed” to report only these two categories. I was further intrigued when I sought to augment the official statistics with recent information on the schemes established by the Sarawak Land Development Board (SLDB), the first agency set up to develop oil palm for smallholders and a major player in oil palm development throughout the 1970s and 1980s. Not only had its oil palm schemes disappeared from official statistics but the Board’s website was no longer functioning.

It soon became clear that much more was involved here than an arbitrary exercise in statistical neatness or the failure to maintain a website. Rather, I was encountering an

example of what James Scott terms “state simplification”, squeezing reality into a more amenable classification in order to further the state’s “aspiration to the administrative ordering of nature and society” (1998: 88). In this case, the use of a superficially simple dualistic classification based on the scale of operation (estates have long been defined in Malaysia as tree-crop plantations of 40 ha or more) glosses over a complex process in which various local and global actors within and beyond the state seek to control and exploit land and forest resources and associated business activities to further their own and others’ interests. In this chapter I explore this process as it relates to the phenomenon of oil palm expansion in Sarawak.

Dualistic Theories of Agrarian Transition

Dualistic theories of economic development arose in the context of high colonialism, particularly where the export economy had been built up around large-scale plantations and mines. As Barber observes, “in such situations, the economic system was divided into two distinct – though interacting – components: a modern sector (usually organised by immigrant groups and linked with international markets) and an indigenous sector in which traditional agriculture (which was generally organised on a family basis) was the primary activity” (1970: 33). Initially, highlighting this *structural* discontinuity formed the basis of a critique levelled at the official view that the health of colonial economies could be judged in terms of the level of activity in the modern sector alone, ignoring the economic condition of the bulk of the population. Notwithstanding the obvious validity of this critique, the concept never quite captured the complexity of colonial economies, even in Malaya where it would seem at first glance to fit quite well. As Drabble (2000: 109-111) points out, tin mining and rubber production were undertaken by an array of small-, medium- and large-scale entities, managed by Malays, Chinese, and Europeans, using different technologies, drawing on local and foreign capital, and relying on family, wage and indentured labour. However, when theorising turned to the *process* of economic development in a dualistic economy, more seriously problematic assumptions crept in.

Three strands of dualistic thought can be identified – socio-cultural, economic, and organisational dualism – with quite contradictory policy implications (Higgins 1956; Barber 1970; Ruttan and Hayami 1971; Myint 1985; Staatz and Eicher 1998; Hayami 1998). The first is associated with the writings of J.H. Boeke on the Dutch East Indies. Boeke (1953) asserted that traditional rural society was organised to satisfy social and cultural rather than economic needs. Indeed, he depicted the behaviour of the indigenous population as economically irrational, in contrast with the profit-maximising motivation and behaviour of the expatriate-dominated modern sector. Given the limited needs and aspirations of the former, improving economic incentives was futile as the supply curve for indigenous labour was “backward-bending” – increased prices and wages would only result in less output. Boeke referred to the two societies (not sectors) as capitalistic (Western) and pre- or non-capitalistic (Eastern) and saw the process by which the former tended to destroy the latter as universal. Hence he viewed the two spheres as fundamentally incompatible and recommended keeping them separate to prevent the further destruction of traditional society.¹

¹ According to Barber (1970), Boeke’s pessimism resulted from his earlier observations of the effects of the liberal (in the sense of *laissez-faire*) policy in the Netherlands East Indies following the introduction of the Agrarian Law of 1870, in which support for the indigenous economy was abandoned and capitalist development was freed to take its course, e.g. through the development of

The second strand – “economic dualism” – rejected these behavioural assumptions, attributing the divergent economic responses of the traditional sector to structural differences in the way economic activity was organised and rewarded and in differential access to resources – especially capital and technology. In contrast to Boeke, proponents of economic dualism saw development as a process whereby the traditional sector would be progressively drawn into the expanding modern sector, thereby raising productivity and incomes and improving economic welfare all round. In fact, the latter view corresponded more closely to the assumptions of colonial development policy, including that of the liberal policy in the Dutch East Indies to which Boeke was reacting. As Barber maintains, “throughout most of their lives, colonial governments took it for granted that support for the rapid enlargement of the modern sector was the appropriate way to bring enlightenment and uplift to the indigenous peoples” (1970: 41).² The optimistic tenor of economic dualism was typified in the influential model developed by W.A. Lewis (1954), which posited an “unlimited” supply of labour from the traditional sector willing to take up employment in the modern sector at low wage rates, just sufficient to cover foregone agricultural income and the costs of labour migration. This process of incorporation in the modern sector would continue until the two sectors were fully integrated, by which time the economy would be well on the way to developed status.

The third strand – “organisational dualism” – was articulated by Hla Myint (1985). This was an attempt to generalise the various types of dualism identified by other writers into a more comprehensive model of the dual economy. In Myint’s view, “labour-market dualism, which the exponents of the ‘Lewis model’ regard as the essence of the dual economy model, is after all only one element in the total picture of organisational dualism” (1985: 38). Thus for him dualism represents “a phenomenon of an incomplete state of development in the organisational framework of the economic system” (Myint 1985: 26), affecting not only the labour market but also the markets for goods and credit, as well as the administrative and fiscal machinery of government. He argued that “appropriate policy response to dualism is to find out whether the existing underdeveloped economic framework can be improved. This is mainly a matter of comparing the costs and benefits of investment in social overhead capital, including the ‘invisible’ infrastructure of the marketing, credit and information network” (Myint 1985: 26).

The essential differences between these three strands are that Boeke saw the traditional sector as simultaneously unresponsive and vulnerable to Western capitalist development and recommended isolating it from further change. The Lewis model, and others which built on it, rejected Boeke’s pessimistic assumptions but still assumed a uni-directional causal process, with the modern sector the driving force in development, this being implicitly an autonomous, inevitable, and desirable process. Myint argued that the process, while desirable, may not proceed autonomously. Hence there was potentially a role for state intervention to remove the structural and organisational barriers to more rapid integration of the modern and traditional sectors.

foreign-owned estates in the uplands of Java and along the east coast of Sumatra (Legge 1980: 91-95; Barlow 1985).

² As will be argued below, this is the key assumption underlying development policy in contemporary Sarawak.

In all three versions of dualism, however, the modern sector is the driving force and ultimate end-point. As Barber observes, “the causal presuppositions of latter-day dualistic dynamics are essentially uni-directional. The modern sector is expected to reshape the traditional sector in its own image; the possibility that influences for change might also work in the opposite direction is not explored ... The traditional sector is assigned a passive role in the process” (Barber 1970: 39).³ More generally, dualistic conceptions of agrarian transition fail to capture the varied and complex processes by which local actors pursuing diverse livelihood strategies both respond to and resist globalising economic forces, and also obscure the political processes by which access to land, forests, business contracts, and other valuable assets are allocated and reallocated.

The Dualistic Policy Narrative in Sarawak

Since acceding to office in 1981, the powerful and flamboyant Chief Minister of Sarawak, Abdul Taib Mahmud, has maintained a remarkably consistent policy narrative in support of large-scale plantation agriculture which (unconsciously?) draws on dualistic development thinking. This policy narrative has formed the basis for major changes in the institutional arrangements governing agrarian development, particularly in the phase of rapid expansion of oil palm. It has been taken up and promulgated by political and business leaders and senior government officials as part of a program for radical agrarian reform which Taib has characterised as part of a pragmatic and non-partisan “politics of development”.⁴ Hence to question it is to be condemned as not merely “anti-government” but also, much more perversely, “anti-development”.

The policy narrative has been elaborated in numerous forums over a quarter of a century. A 1982 article in the *Borneo Bulletin* reviewing Taib’s first year in office declared: “One of the biggest problems for the state’s leaders is how to increase the role of rural folk in the economy ... Datuk Taib believes large-scale land development holds the key to Sarawak’s future.”⁵ In a 1984 interview the Chief Minister proclaimed: “My vision for the next twenty years is to see modern agricultural development along the major trunk road with rows of plantations and villages well organised in centrally managed estates with a stake of their own in them.”⁶ In a major speech to the state legislature in 1994, in which he outlined his reasons for a joint venture approach to large-scale plantation development, he concluded: “This is what will bring the natives into the main development. They may not realise immediately, they may not even be interested in all the mechanics of joint venture ... But the very fact that this is run by proper management, looked after by professional management, their business is as healthy as if they were doing their own business with the owner.”⁷ In 2001 he addressed a regional business conference, saying: “We have to transform

³ A simplistic emphasis on “globalisation” can also fall into the trap Barber highlighted, assuming an overpowering, uni-directional economic force that swallows up the traditional rural sector, ignoring the diverse ways in which rural people construct and adapt their livelihoods within the context of globalising change.

⁴ Ironically, this phrase can be seen as attempt to use the concept of “development” to obscure the underlying “politics”, as argued by Ferguson (1994).

⁵ K.C. Jong, “A year focused on an overwhelming problem,” *Borneo Bulletin* 10 April 1982, p. 11.

⁶ *Sarawak Tribune* 9 December 1984.

⁷ *Sarawak Tribune* ??? 1994, p. 10.

our agriculture to large-scale agriculture for more controlled management, integrate research into production and [decide] how best to market our products.”⁸

This narrative draws on all three strands of dualistic development theory. Notwithstanding Taib’s positive view of the role of the modern sector, there are elements of his analysis that echo Boeke’s assumptions, particularly with regard to the motivations and behaviour of farmers in the traditional sector. In Taib’s view this “economic irrationality” is depicted as a lack of “development consciousness” – a lack of awareness of what the government is trying to do in “bringing development” to the “natives”,⁹ an irrational clinging to outmoded practices and customs, and an absence of the “discipline” and skills needed for a modern economy.

However, the narrative goes well beyond the behavioural assumptions of socio-cultural dualism. Taib’s unwavering and oft-repeated belief in the dynamism of large-scale, capital-intensive agriculture and its capacity to draw in and transform the traditional sector in desirable ways could be taken straight out of writings on economic dualism. Rather than emphasising an unlimited supply of labour, as in the Lewis model, Taib’s focus has been on Sarawak’s apparently unlimited supply of underutilised or “idle” land. (The historical and geographical reasons underlying Sarawak’s sparse population and extensive systems of land use are largely ignored – it is assumed that land is idle because the people who occupy it are idle.)

The key problem identified in Taib’s diagnosis is that much of this resource is customary land (often referred to in public discussion in Sarawak as native customary rights land or “NCR land”) which is “locked up” in the traditional sector and unavailable for modern, large-scale development. In this respect his analysis resembles “organisational dualism”, justifying a role for government intervention to overcome this institutional constraint and bring together the two sectors – notably through a “joint venture” approach that marries modern sector dynamism (especially its capital and know-how) with the land (and labour?) of the traditional sector.

The particular importance attributed to “unlocking” customary land in this dualistic narrative is clearly seen in Taib’s 1994 “winding up” speech to the state parliament referred to above, on the eve of the state-wide campaign for joint venture estate development. “Now I come to the question of the development of NCR [land] which is vital to the unity of Sarawak, to the social justice that may prevail in this country. It is the only way that can bring people within one generation into the main stream of the economy. People from the interior who are today struggling with outdated economy.”¹⁰ He continued: “I look around, how can we help the poorest in our midst to come up? We can do so according to economic laws. According to economic laws people can do better if they got three things.” These he went on to identify as land, capital, and skilled labour. He concluded that the Dayaks (Iban, Bidayuh and Orang

⁸ *Sarawak Tribune* 21 June 2001.

⁹ The term “native” was first introduced in Sarawak during the Brooke regime, mainly to contrast indigenous ethnic groups (Muslim and non-Muslim) with immigrant Chinese, whose access to land both Brooke and British colonial governments sought to restrict. Taib’s use of the term to refer to backward rural Dayaks is somewhat ironic and reminiscent of colonial prejudices.

¹⁰ *Sarawak Tribune* ????, 1994, p. 10. It is important to note that “people from the interior” do not occupy land suitable for oil palm estates (cf. the oil palm corridors in Fig. 2). Rather, joint venture schemes are being proposed for communities in the midland zone where commercial smallholder agriculture is already well developed and hence the economy cannot be regarded as “outdated”.

Ulu) generally lack capital and skills (apart from a small number, who are regarded with jealousy if seen to be favoured by development policies). However, the one resource they have is land: “Do they have land? When I ask do they have land, my God, they have plenty.”¹¹ Hence the apparent logic of devising ways to combine Dayak land with the capital and know-how of the modern estate sector in large-scale joint ventures brokered by a government agency.

The Role of Smallholders in Sarawak’s Agrarian Transition

The problem with this powerful and persuasive narrative is that it is clearly inconsistent with the evidence regarding the long history of smallholder involvement in cash crops in Sarawak. The history of smallholder rubber is well known. Malay, Dayak and Chinese smallholders took up rubber planting from early in the twentieth century, despite the absence of a significant demonstration effect from a large estate sector or of any program of government support.¹² In some regions such as the Saribas District, Dayak landowners planted up to 20 ha of rubber and employed labourers (mainly Malays and Chinese) to tap their trees during the boom years (Cramb 2007). Rubber smallholders survived the economic upheavals of the interwar years so well that coercive measures had to be introduced to restrict their production in the interests of the European estates in Malaya and the Netherlands East Indies (Bauer 1948). In 1940, after three decades of smallholder rubber planting, there were 97,000 ha under rubber, of which 92.5 per cent was in “smallholdings” and 47.5 per cent was in “native” holdings. Sarawak’s exports of rubber in that year totalled 36,000 tons, valued at 26 million Straits dollars (Cramb 2007). The legacy of this smallholder dynamism in pre-war Sarawak was “an alternative form of economic ownership to that practised in other parts of colonial Southeast Asia” (Reece 1988: 33). The post-war British colonial government built on this legacy with its Rubber Planting Scheme to provide smallholders with improved planting material for both new planting and replanting. This approach continued in the first decades after independence. While rubber planting and tapping declined from the 1970s due to the long-term decline in price, there has been a recent revival in smallholder production due to the growing demand from China, such that the area of smallholder rubber was 156,700 ha in 2004, producing 26,100 tons valued at RM 104 million. Rubber remains an important option for farmers in hilly upland areas that are unsuited to oil palm and new planting is now occurring.

Less often emphasised is the agricultural revolution brought about through the cultivation of pepper by Dayak smallholders, particularly since the 1970s. This is partly because the intensive nature of pepper cultivation means that a holding of a hectare or less is sufficient to fully employ (and fully support) a typical rural household. Hence pepper may only occupy 1-2 per cent of a longhouse territory while contributing perhaps 80 per cent of household income. In 2004, there were 65,800 households (over half the total number of farm households in the state) cultivating nearly 13,000 ha of pepper, producing over 17,000 tons valued at over MYR 116 million (Sarawak 2006). Ninety per cent of these households were classified as “native” – almost all of them Dayaks. Whereas rubber could be successfully adopted

¹¹ *Sarawak Tribune* ????, 1994, p. 10.

¹² There were only ever five large rubber estates in Brooke-era Sarawak – three of them close to Kuching, one in the mid-Rejang, and one near Lawas at the far end of the state. Four of these were British concerns and one Japanese. These all were dismantled in the post-war period.

with a low level of technology (Barlow and Jayasuriya 1986), pepper has required the development of considerable technical, financial and managerial skills. At first pepper merely provided another cash-earning activity in a subsistence-oriented farming system still based on shifting cultivation. Most Dayak farmers even in quite remote areas are now semi-commercialised or fully commercialised pepper farmers, operating intensive systems with considerable success. This is reflected in the secular decline in hill rice cultivation, which has fallen by 1 per cent per annum since the mid-1980s despite population growth (Fig. 3). While the Department of Agriculture has provided many smallholders with planting grants through the Pepper Subsidy Scheme, introduced in 1972, most pepper has been planted and maintained with the farmer's own resources or with credit extended by local shopkeepers.

The history of smallholder rubber and pepper not only demonstrates responsive and dynamic economic behaviour but that customary land tenure has not been an obstacle to the adoption and expansion of cash crops. It is true that, unlike rubber or pepper, oil palm cultivation displays economies of scale in first-stage processing, and the harvested product is not storable, hence there is a need for a minimum planted area within a maximum distance from a mill for timely and efficient conversion of fresh fruit bunches into palm oil. This is the technical basis of the argument for large-scale, centrally managed production systems. However, private estates are only one such system. The varied history of oil palm expansion in Sarawak outlined below shows that a spectrum of institutional arrangements, including those that rely on smallholder "dynamism", can deliver these benefits. In particular, the adoption of oil palm by unassisted smallholders in those regions with access to mills is an unsurprising extension of Sarawak's long history of autonomous smallholder development.

Political Economy of the Post-1981 Push for Estate Development

So what underlies the current dualistic narrative of agrarian development in Sarawak? Why its persistence? Michael Dove, in criticising distorted views of shifting cultivation in Indonesia, contends that official perceptions are "unconsciously deflected from empirical reality due to political and economic self-interest" so that negative stereotypes of shifting cultivation become "an article of faith, a dogma" (1986: 239). It can be argued that the dualistic narrative in Sarawak (which certainly encompasses a negative view of shifting cultivation in its rhetoric) is also sustained, not merely because Taib Mahmud is a forceful personality and a persuasive orator with no peer in the State Parliament, but because it accommodates the needs both of private plantation and timber interests within and outside Sarawak and of the political elite in Sarawak's entrenched system of clientelist politics. Whether embraced consciously or unconsciously, the narrative certainly serves to deflect perceptions from the underlying intention to open up vast areas of Sarawak's land to this narrow clique of private interests. As Chief Minister, Minister for Resource Planning, Chairman of the State Planning Authority, and Chairman of the Land Custody and Development Authority, Taib has been in a powerful position to implement his vision.

The expansion of capitalist plantation development from Peninsular Malaysia to Sarawak since the 1980s has been driven by the same political economy of frontier development seen elsewhere in the region (McCarthy and Cramb, forthcoming). That is, given the growth in global demand for palm oil, private plantation companies and other investors sought to exploit the sustained and growing profitability of oil palm

cultivation in this frontier environment by looking for additional land and labour, but needed to work through political and bureaucratic actors within the state to gain access to the necessary resources. While the political economy of this expansion was part of a more general phenomenon, the detailed working out of the expansionary process was conditioned by the particular circumstances prevailing in Sarawak (Cramb 2007).

These circumstances included the historical and geographical importance of shifting cultivation and smallholder cultivation of cash crops, the absence of a large estate sector (there was only one private oil palm estate in Sarawak in 1980), a land tenure system that gave somewhat stronger recognition to customary tenure than elsewhere (Peluso and Vandergeest 2001), the historical movement of population from the more densely settled southern region of Sarawak to the relatively sparsely inhabited northern region (which was also the region most suited to oil palm cultivation), the demographic and hence political importance of the Dayak population, the retention of State control over natural resources (other than oil and gas) that was part of the Malaysia Agreement, and the entrenched system of patron-client politics that had developed around the lucrative timber industry in the 1970s and 1980s (Leigh 1979, 2001; Dauvergne 1997).

That the ultimate intention of government policy under Taib was to clear the way for private estate development was apparent from the outset. The *Borneo Bulletin* reported sympathetically in 1982 as follows: “[H]uge sums of money will be needed to resettle large numbers of villagers on land schemes. The Chief Minister believes a great deal of the money is available in Sarawak [presumably referring to timber money], but the short-coming of local investors is that they have no experience running plantations. ... Datuk Taib is therefore inviting plantation owners in Peninsular Malaysia to invest in his state. Speaking at the launch of the LCDA,¹³ he noted that many plantation-owning companies and individuals have found they cannot get enough suitable land in Peninsular Malaysia and are investing in agro-based projects in the Philippines and Papua New Guinea as a result. ‘Why not come to Sarawak to invest? You can operate from Kuala Lumpur. Sarawak welcomes you,’ Datuk Taib said.”¹⁴

However, potential investors with the capital and management expertise needed to develop land for oil palm faced two key constraints in Sarawak – “land” and “labour” – as a result of the particular circumstances enumerated above. These were clearly identified by invited participants in a two-day land development seminar held in Kuching in 1982, which Taib officially opened. A senior official from FELDA indicated that the agency was running out of land in the Peninsula for estate development and was keen to utilise the underutilised or “idle” lands in Sarawak, but needed clear title to the land, unencumbered by the bothersome claims of customary landholders.¹⁵ On the other hand, an experienced manager from Perlis Plantations, a major peninsula-based company, indicated that a second key constraint was access to

¹³ The Land Custody and Development Authority, which was to be the main vehicle for joint venture arrangements involving both customary and state land. See below.

¹⁴ K.C. Jong, ‘A year focused on an overwhelming problem,’ *Borneo Bulletin* 10 April 1982, p. 11.

¹⁵ By this time FELDA was focused on opening up “estates” rather than “settlement schemes” and was thus effectively a state-owned and managed plantation company rather than a settlement agency (Fold 2000).

sufficient labour willing to work under the conditions and at the wage rates necessary to keep estates profitable.

The problem of labour scarcity would be “solved” through the Malaysia-wide measure of importing low-wage Indonesian workers (known as *tenaga kerja Indonesia*, TKI) in large numbers, with little or no provision of social infrastructure.¹⁶ The issues surrounding the use of this international “reserve army of the unemployed” warrant detailed discussion in a separate paper. The focus here is on the institutional arrangements devised by the Taib Government to deliver land to the newly created estate sector. This first requires an explanation of the place of customary land in the land laws.

The “Problem of Native Customary Rights”

Land law in Sarawak, as embodied in the 1958 Land Code, reflects the legacy of a century of rule by the Brooke Rajahs (1841-1941) and the brief post-war period as a British colony (1946-1963). In this time, as noted, there was very little investment in agricultural estates. Rather, agriculture in Sarawak was dominated by Dayak shifting cultivators, who had progressively converted a portion of their fallow lands to rubber and pepper plots, and Chinese smallholders, who also grew rubber and pepper in more accessible locations near towns and along the few rural roads. Hence the land laws that emerged sought both to protect and restrict the customary land rights of the Dayaks – by limiting the areas in which Chinese could acquire title to land (to prevent the Dayaks from impoverishing themselves by selling their land to the more commercially-oriented Chinese) and by excluding the Dayaks from remaining areas of primary forest.

Thus “native customary rights” to land were given a limited form of recognition in the Land Code. As defined in the Code, these rights could be acquired by the following methods: (a) the felling of virgin jungle and the occupation of the land thereby cleared; (b) the planting of land with fruit trees; (c) the occupation or cultivation of land; (d) the use of land for a burial ground or shrine; (e) the use of land of any class for rights of way; or (f) any other lawful method. However, after 1958, anyone attempting to acquire customary rights without permission was deemed to be in unlawful occupation of State land. Once “legitimate” customary land had been surveyed the holder of customary rights could be issued with a 99-year lease, requiring payment of rent. This provision was subsequently amended to allow the holder of customary rights to be issued with a grant in perpetuity free of rent, implying recognition that native customary rights amount to a form of ownership.

However, the Land Code states that “until a document of title has been issued in respect thereof, such land shall continue to be State land and any native lawfully in occupation thereof shall be deemed to hold by licence from the State”. In practice, then, native customary rights are viewed as an “encumbrance” on State land (Porter 1967: 84). Moreover, though the customary tenure systems of all indigenous groups in Sarawak are based on the concept of individual use rights *within a community*

¹⁶ Except for schemes in south-west Sarawak, few of these workers have come from Indonesian Borneo. Many are Bugis, known for their willingness to migrate in search of economic opportunities. For example, a Bugis colony was established in a coastal district during Brooke times to plant coconuts.

territory (Gerunsin 1994), the Land Code does not explicitly recognise the concept of territorial rights, giving priority to the registration of individual title to land. Hence forested land reserved by a community as part of its territorial domain is not recognised.

The Land Code defines a racially based system of zoning land, with the following categories: (1) Mixed Zone Land, in which there are no restrictions on who can acquire title to land; (2) Native Area Land, in which only “natives” of Sarawak can hold a title; (3) Native Customary Land, that is, land not held under title but subject to “native customary rights”; (4) Reserved Land, or land held by the government (principally as forest reserves); and (5) Interior Area Land, a residual category, which nevertheless accounts for the bulk of the state’s land (Porter 1967: 61). “Natives” are elsewhere defined as those belonging to a number of indigenous ethnic groups, including Malays and Dayaks, but excluding Chinese. Mixed Zone Land accounts for about 8 per cent of the total land area, Native Area Land for 7 per cent, Reserved Land for 16 per cent, and Interior Area land for 69 per cent (Cramb and Dixon 1988; Fig. 4).

The category Native Customary Land overlaps the other categories (apart from Reserved Land). Untitled land within a region classified as Mixed Zone or Native Area Land is typically “State land subject to native customary rights” – that is, Native Customary Land. In addition, that proportion of Interior Area Land that was subject to customary rights before 1958 continues to be legally recognised as Native Customary Land. Additional tracts of Interior Area Land, and indeed of Reserved Land, have been utilised for shifting cultivation since 1958 and claimed under traditional land tenure, particularly in northern Sarawak where most of the recent expansion in oil palm plantations has taken place, but rights to these areas are not legally recognised by the state. Cramb and Dixon (1988) estimated the total area of Native Customary Land as 30,700 sq. km, about 25 per cent of Sarawak’s land area. However, it is now officially asserted that there are 15,000 sq. km of Native Customary Land in Sarawak (e.g., Sarawak 1997), though the basis of this figure has not been made clear. It is likely the lower figure reflects the Taib Government’s desire to exclude as much land as possible from officially recognised customary claims.

Even with this lower official figure, the “problem” facing large-scale estate development is that there are still extensive areas that are “encumbered” with claims of native customary rights. Native Area Land and those portions of Interior Area Land subject to native customary rights are excluded from dealings with non-natives. Even ostensibly unencumbered State land earmarked for land development has often turned out to be subject to native customary rights claims, especially in central and northern Sarawak where settlement was more recent. Even a longhouse that had been established, say, in the 1930s might still be clearing forest for shifting cultivation after 1958, and in any case would consider remaining old growth forest within its territorial domain to be held under customary tenure.¹⁷ Hence the Taib Government had to find ways to open up and streamline access to customary land for private estate development.

¹⁷ Interview with Patrick Sibat, Kuching, December 2006.

Delivering Land to the Estate Sector

Taib's first and most significant change was the establishment of the Land Custody and Development Authority (LCDA) in 1982. This agency was set up to initiate joint ventures between native landholders and private developers in both urban and rural areas. The aim was to consolidate land held under customary tenure into extensive "land banks" suitable for plantation development, and to resettle scattered rural communities into large townships. As one senior officer in the Land and Survey Department perceptively remarked at the Land Development Seminar in 1982, "LCDA is more powerful than the Land Code". Thus during the 1980s it was assumed that the LCDA Ordinance would be sufficient to bring Native Customary Land into the sphere of commercial land development. However, Dayak reluctance to be involved and the strength of political opposition at that time meant that LCDA made little progress in large-scale development of Dayak land in the 1980s (though it was successful in implementing numerous urban development projects on Malay land, with windfall gains to those involved).

By the mid-1990s, however, with forest resources dwindling, oil palm plantations attracting good returns, increasing interest from both local and peninsula-based investors, and the major Dayak opposition party (Parti Bansa Dayak Sarawak, PBDS) now incorporated in the ruling coalition, the government could refocus attention on the so-called "problem of Native Customary Land". In 1995 Taib initiated his Konsep Baru (New Concept), involving a state-wide campaign to promote the joint venture approach to commercial land development, mainly for oil palm (Sarawak 1997). Taib called on his loyal clients in the Iban community, notably Deputy Chief Minister Alfred Jabu Numpang, to promote the concept. He informed the state legislature: "I have asked Datuk Jabu to convince all the leaders who are Ibans, whether they are from PBDS, SNAP or PBB, that the task is not partisan; it is a struggle to help our people and we got to learn to work together to make a success of it. ... I can see even by the year 2005 there will be a dramatic change among the Iban, Bidayuh, Orang Ulu because of the transformation brought about by the development of NCR."¹⁸ To facilitate Konsep Baru, and estate development generally, extensive changes were made to the Land Code, with the overall effect of further restricting customary rights to land (Leigh 2001; Dimbab 2002; Cramb 2007).

Thus the Land Code was amended in 1994 to enable the government to resume land, not just for a public purpose such as road construction, but in order to make the land available for large-scale private land development. In 1996, and again in 1998, the Land Code was amended to streamline the extinguishment of native customary rights and minimise compensation payouts. The Minister of Land Development candidly explained: "The government is concerned that increasing land value and increasing rate of land compensation will hamper development because the government will not be able to pay huge sums in compensation for land needed for the implementation of its development projects" (IDEAL 1999: 31). To further clear the way for development of customary land, a new section was inserted in 1996, stating that "whenever any dispute shall arise as to whether any native customary rights exists or subsists over any State land, it shall be presumed until the contrary is proved, that such State land is free of and not encumbered by any such rights". A 1997 amendment

¹⁸ *Sarawak Tribune* ??? 1994, 11.

allows the government to amalgamate Native Customary Land within a “development area” into a single large parcel of land, and to grant a lease of up to 60 years over the land to a body corporate approved by the Minister. The body corporate is one which has been “deemed to be a native” by the cabinet. This provides the legal underpinning for the commercial use of Native Customary Land by a private plantation company in a joint venture arrangement with LCDA, acting as trustee for the landholders.

The most extensive raft of amendments to the Land Code was passed in May 2000. One of the amendments was to remove the sixth method listed above for creating native customary rights, namely “any other lawful method”. The ostensible argument advanced by the Attorney General for deleting this clause was that it was redundant. However, advocates for Dayak groups in the 1980s and 1990s had argued that reserving forest land for community use within a longhouse territory (*menoa*) (or within the territorial area of a nomadic Penan group) was a “lawful method” under traditional *adat* that did not involve felling, cultivating, planting, or the other activities listed. Hence deleting this clause was a further attempt by the government to restrict the scope of native customary rights claims in order to facilitate the appropriation of forested land, both for logging and large-scale private land development.

With regard to the allocation of State land for private plantation development (including land cleared after 1958 or otherwise subject to customary claims), the mechanism for doing so was already available in the Land Code in the form of a tenure instrument termed a “provisional lease”. In essence, this gave a company the right to develop land for oil palm, provided it resolved any claims to land within the lease area. Such claims might be resolved by the company offering compensation in the form of cash or shares in the development, or by excluding the claimed land from the area to be developed. In practice, such negotiated solutions have been the exception, with the first recourse being to attempt the forcible exclusion of any communities found to be occupying land within a lease area, making use of the state’s police powers to do so.

Modes of Oil Palm Expansion in Sarawak

The dualistic rhetoric and the emphasis on joint ventures has distracted attention from the variety of ways in which land, labour, capital and management have been combined and rewarded in the development of oil palm in Sarawak since the 1960s. These include independent smallholders, assisted smallholders, group or managed smallholders (whether in situ or resettled),¹⁹ joint ventures between private plantation companies and customary landholders, government estates, private estates, and public-private joint ventures. These various modes, some of them unique to Sarawak, need to be evaluated in terms of their actual and potential contribution to sustainable rural livelihoods and not merely dismissed as in the dominant policy narrative. Table 1 is an attempt to disaggregate the simple estate-smallholder statistics cited in the Introduction to reflect better the historical modes and current status of oil palm development in the state. They are discussed roughly in order of their historical emergence as significant drivers of oil palm expansion – in the 1970s and 1980s most oil palm expansion was due to government schemes for smallholders; from the 1990s

¹⁹ Within Malaysia, the first two categories are typically classified as “independent smallholders” while the third category is sometimes referred to as “supported smallholders”. However, the degree of central management in the third category justifies the terminology used here.

there was rapid growth in both independent and supported smallholders and joint venture schemes with customary landholders; the biggest expansion since the 1990s, however, has been in private and public estates.

Resettlement Schemes for Smallholders

The Sarawak Land Development Board (SLDB) was established in 1972 by Taib's predecessor, Abdul Rahman Yakub, under the Federal Land Development Ordinance, its purpose being "to promote and assist the investigation, formulation and carrying out of projects for the development and settlement of land in the State of Sarawak". That is, SLDB was to be the Sarawak equivalent of the Federal Land Development Authority (FELDA), which had been settling poor and landless Malay farmers in rubber and oil palm schemes in the Peninsula since 1956 (Fold 2000). The SLDB proceeded to develop extensive areas in the northern and central parts of Sarawak for oil palm (Awang Zain 1986). These were primarily in Forest Reserves that had been designated for conversion to agriculture (that is, "unencumbered" State land), but included 3,500 ha of Native Customary Land in the Ulu Mukah region that was acquired from the Dayak occupants (Awang Zain 1986).

The original policy was that these land schemes would be subdivided following crop establishment, with titles being issued to individual settlers drawn from among the three major ethnic groups – Malays, Iban and Chinese. In particular, it was intended to relocate farmers from border areas in southern Sarawak, such as Chinese from Tebedu and Iban from Lubok Antu, who were subject to influence from the Sarawak Communist Organisation (SCO).²⁰ While Iban from Lubok Antu²¹ were keen to move from their degraded lands and a decade of unsettled border conditions, Malay fishermen from the Sarawak River declined because the scheme was located too far from the sea. The Chinese also refused to move from Tebedu; the 8 acres of land offered to them were considered inadequate. Most were members of the Sarawak United People's Party (SUPP), which formed a crucial part of Rahman Yakub's coalition government in the 1970s. Hence SUPP managed to have the resettlement policy overturned. As the Government did not want the scheme to be an exclusively Iban affair, in 1974 it was decided to place a freeze on the recruitment of settlers and hence on the issuing of titles. The promise made to the Iban from Lubok Antu was not upheld. From that point the oil palm schemes were effectively run on conventional estate lines. This meant that SLDB had no settlers and had to carry the debts involved itself (as would a commercial entity).²²

By 1980, SLDB had established over 15,500 ha of oil palm and cocoa, including 12,000 ha on unencumbered State land and 3,500 ha on what was formerly Native Customary Land (Awang Zain 1986). However, it was making substantial losses and carried major liabilities. King (1986) attributed the Board's financial problems to poor management, inadequate accounting procedures, poor field supervision, frequent breakdowns in machinery and plant, and inadequate infrastructure. The Board itself identified the shortage and high turnover of local labour as a prime constraint. In a detailed review of the Board's activities the General Manager concluded: "With all

²⁰ The communist insurgency in Sarawak was at its height around this time (1970-73) (Empeni Lang 1995; Porritt 2004).

²¹ The Iban community of Rumah Lungan was keen to be resettled at Peninjau, near Miri.

²² Personal communication, Sidi Munan (24 May 2007). Sidi was Secretary of the SLDB at the time.

the constraints and limitations, it had been extremely difficult for SLDB to open up and develop large scale plantations in State land; it had been much more trying to open up and maintain Native Customary Lands where the people still attach allegiance to the ownership of the land after being compensated for acquisition” (Awang Zain 1986: 135).

Drawing on the neoliberal policy environment of the time, the Taib Government moved by stages to “privatise” SLDB (or its assets).²³ In 1987 the management of SLDB was contracted to Sime-Darby, a commercial plantation company, and it soon reported improved financial performance (mainly by shedding a large proportion of its staff through moving its head office to Miri). In 1993 it was “corporatised”, with management in the hands of a local group, Sarawak Plantation Services (SPS). In 2000 its assets were transferred to Sarawak Plantation Bhd (SPB), a public company specifically set up to facilitate a “management buyout”, in return for which the government acquired the majority of the company’s shares.²⁴ Its board of directors includes former SLDB staff, senior government officers, and managers of major government and private resource companies and agencies, including the CEO of one of Sarawak’s largest timber companies. By 2006 SPB had 24,445 ha under oil palm in 13 estates – the legacy inherited from SLDB.²⁵ It was listed on the Kuala Lumpur Stock Exchange in August 2007.²⁶ At that time the Sarawak Government owned 38 per cent of the shares through various foundations and Cermat Ceria Sdn Bhd, a company owned by several SPB board members, had 37 per cent. The general manager announced plans to secure 30,000-50,000 ha of land in Kalimantan for further expansion of oil palm.

Thus the SLDB, originally set up as a land development and settlement agency for smallholders, had been transformed into a large-scale private (multinational) plantation company. In an apparent attempt to justify its role as the inheritor of SLDB’s now valuable assets, located at the centre of the Miri “oil palm corridor”, SPB declares that “the primary functions of SLDB are the development of large-scale agriculture in the form of oil palm plantations in Sarawak with the objective of creating employment opportunities, increase income and improve the standard of living of the rural community.”²⁷ It is instructive to compare this with SLDB’s

²³ Malaysia was not beholden to the international agents of the “Washington consensus” as was Indonesia, even during the Asian financial crisis of 1997 when Malaysia famously stood its ground against IMF edicts. Nevertheless, from the 1980s there has been a pervasive emphasis on the corporatisation and privatisation of state-owned entities, with spin-offs for business interests connected to the ruling coalition.

²⁴ SPB includes on its board several former senior staff of SLDB as well as the Permanent Secretary to the Ministry of Land Development. Another prominent member is Abdul Hamed Sepawi, CEO of Te Ann Holdings Bhd, one of Sarawak’s largest timber companies, which also has around 50,000 ha under oil palm between Sibul and Bintulu (*The Star* 30 June 2005, p. 10). Hamed Sepawi is a cousin of the chief minister. A recent addition to board is the daughter of deputy chief minister, Alfred Jabu Numpang.

²⁵ For a number of years SLDB/SPB was involved as a managing agent in setting up joint venture schemes for customary landholders under the Konsep Baru program, notably the ill-fated Ulu Teru project, but it encountered serious problems and has since abandoned this role, seeking reimbursement for the funds outlaid. However, one of its subsidiaries is involved in a Konsep Baru project as the developer.

²⁶ SPB has an enigmatic corporate motto on its website – “We can do better”.

²⁷ From Sarawak Plantation Berhad website (<http://www.spbgroup.com.my/history.htm>, accessed 3 October 2007).

purpose as set out in the Federal Land Development Ordinance (see above) – the development of land for settlers has been erased from the official narrative. Whereas in the 1970s SLDB created some employment for Sarawakians (especially young Iban men following the tradition of journeying (*bejalai*) for wealth and prestige), it has for some time depended largely on Indonesian workers for its plantation labour force.

In Situ Schemes for Smallholders

While SLDB was developing oil palm schemes without smallholders in northern and central Sarawak, an alternative approach was initiated in the longer-settled and more densely populated areas of southern Sarawak. The Sarawak Land Consolidation and Rehabilitation Authority (SALCRA) was established in 1976 primarily to develop Native Customary Land “for the benefit of the owners”. That is, its focus was on in situ development rather than resettlement. SALCRA’s mode of operation was to borrow public and donor funds for the capital costs of oil palm development. The costs of development were charged to the participants who progressively paid back the amount and in time received dividends from the sale of their fruit. Though superficially modelled on the Federal Land Consolidation and Rehabilitation Authority (FELCRA), it was established under its own state ordinance and has some unique features, reflecting the key role in its design and management of Iban members of the Pesaka wing of Abdul Rahman Yakub’s government.

For purposes of the Land Code, SALCRA is deemed to be a native of Sarawak, enabling it to deal in native land. After taking adequate steps to “ascertain the wishes of the owners”, SALCRA can declare a tract of land to be a “development area”, thereby giving it powers to carry out any work to improve or develop the land, without however affecting “the legal ownership of that land or any customary rights”. In fact, the inclusion of land within a development area managed by SALCRA helps to confirm existing customary rights, for the SALCRA Ordinance requires it to arrange and record a survey and valuation of every right or interest within such an area and, upon completion of the development of the land, the holders of such rights are to be issued with grants in perpetuity.

In the 1970s and 1980s SALCRA initiated land development projects in some of the poorer and more remote parts of Sarawak’s southern region, with oil palm the dominant crop. Its earliest and largest project was the 3,000 ha Lemanak Oil Palm Scheme, which began producing a return in 1985, after considerable delay in getting the palm oil mill operating. Despite concerns about SALCRA’s capacity, in the mid-1980s it was given responsibility for oil palm development in the Kalaka-Saribas Integrated Agricultural Development Project (IADP), funded by the Federal Government and the Asian Development Bank. The controversy surrounding land issues at this time made it difficult for SALCRA to negotiate with Dayak landholders, hence development was delayed and the oil palm area was fragmented, though eventually over 10,000 ha were planted and landholders were reportedly happy with the flow of dividends. In some cases where the land fell within a Mixed Zone, a proportion of the lots have subsequently been sold to Chinese, who receive the dividends and may employ the original owners to work on the land.

In 1996 the management of SALCRA was given to Sarawak Plantation Services (SPS), the group that took over the management of SLDB and then implemented a

management buyout. The appointment of SPS to manage SALCRA was seen by some as a way of wresting control of this organisation from the entrenched Iban management. It also provided a mechanism for creaming off some of the growing profits of SALCRA's plantations through management fees.

By 2006 SALCRA had established over 45,000 ha of oil palm (nearly double that of SLDB), involving over 12,500 participants, and had three palm oil mills (two of them joint ventures) and a bulk oil installation in Kuching. The finance for these schemes has come from state and federal budgets and from development financiers such as the Asian Development Bank. While initially the labour was provided by the landholders, in many cases Indonesian workers are now employed (e.g., in the Lemanak Oil Palm Scheme). Though the agency continues to be plagued by allegations of inefficiency and corruption (Thien 2005), high palm oil prices and the passage of time have eased many of the participants' concerns and there is unmet demand from many upriver Iban communities who have requested a SALCRA scheme on their land. However, SALCRA's growth beyond southern Sarawak has been blocked by the government, with priority being given to joint venture projects under the Konsep Baru policy. Hence the agency is consolidating and replanting its current areas.

FELCRA also undertakes in situ schemes for smallholders in Sarawak. Though initially restricted in its activities in the state, it has been expanding rapidly in the past decade and had established nearly 27,000 ha by 2006. However, most of this is in downriver (Malay) areas on titled land – only 22 per cent involves customary land. (Some of the total area may include State land developed as estates rather than group smallholdings; further research is needed to clarify this.) In total, the area of land developed as group or managed smallholdings by SALCRA and FELCRA totalled about 72,000 ha by 2006, or 12 per cent of the total oil palm area (Table 1).

Independent and Supported Smallholders

Independent smallholders have grown up at a rapid rate in the past decade, particularly in the vicinity of the large-scale estates and palm oil mills in Sarawak's Northern Region. In this case, landowners are developing their own land using their own labour and capital, without assistance from a government agency. However, some who have good connections with Chinese traders obtain finance to establish their plantations, and in some cases wage labour is employed, including Indonesian workers who prefer this arrangement to working on private or government estates.²⁸ Some of this planting is clearly pre-emptive, that is, to prove to government agencies who may seek to allocate the land for a private estate or joint venture estate that it is being productively used (Majid Cooke 2006). Landowners in the Pantu area in Sri Aman Division, whose land was "earmarked" for a joint venture scheme, were quite explicit in pointing to their independent planting efforts as evidence that they did not need the Ministry of Land Development or LCDA to organise them into a joint venture arrangement.

Subsidised or supported smallholders are those who plant on individual lots, perhaps in a contiguous area, with varying degrees of support from government agencies.

²⁸ In such cases they should perhaps be termed small-scale capitalist farmers rather than merely smallholders.

There were one or two small-scale pilot oil palm projects in the 1960s undertaken by the Department of Agriculture (DA) and the Sarawak Development Finance Corporation but these were unsuccessful. They were isolated from any established estates or mills and involved farmers who had little incentive or commitment to the undertaking. However, under the Eighth Malaysia Plan (2001-2005) the DA ran two schemes for smallholders: the Smallholder Oil Palm Planting Program (for up to 5 ha per participant, worth just over RM5,000 per ha over three years) and Oil Palm Mini Estates (centrally managed in a contiguous block, worth RM 10,520 per ha on mineral soils and RM 15,750 per ha on peat soils over four years, after which the plantation would be returned to the landholders). Only 130 ha were planted under the former scheme and 1,525 ha under the latter. It was proposed to expand these schemes under the Ninth Malaysia Plan (2006-2010) to 1,600 ha for the Smallholder Oil Palm Planting Program and 6,400 ha for the Oil Palm Mini Estates – a total of 8,000 ha. However, the Mini Estates scheme was blocked higher up in the government on the grounds that it was in competition with potential joint venture projects under Konsep Baru.

In 2005 the Malaysian Palm Oil Board (MPOB), which now has offices in Sarawak, also introduced a scheme to support smallholders in the vicinity of existing mills. This involved the provision of good quality planting material, fertiliser, and technical advice, very similar to the DA's Smallholder Program. The eligibility criteria included a maximum area of 5 ha and a maximum income of RM600 per month. Where the land was customary land, verification of ownership had to be provided by the community headman (a procedure long-used by the DA in administering its planting grants for rubber, pepper and other crops). The Board was overwhelmed with applications. By February 2006 it had received 8,970 applications, of which 8,468 (94 per cent) were for customary land. The average area per application was just over 4 ha, giving a total area of about 36,000 ha – double the current recorded area for smallholder oil palm. However, only 161 applications had been approved, covering 390 ha, all titled land. The issue of verifying customary land claims proved too difficult and controversial for the Board. In addition, many of the applications came from within areas that had been “earmarked” by LCDA for a joint venture project. Hence there was again pressure not to undermine the consolidation of customary land for large-scale development.

By 2006 there were around 3,418 smallholders (independent and supported) with an average planted area of 5.3 ha. Though the area of planted by these smallholders was only 3 per cent of the total in 2006 (Table 1), the growth has been rapid, from only 670 ha in 1990 to 7,886 ha in 2000 to the current figure of 19,000 ha – more than doubling in the past six years. Subsidised or supported smallholdings account for only 2,040 ha or 12 per cent of the total area of smallholders in these two categories. Hence the growth in smallholdings has largely occurred without government support, and despite some opposition from sections of the government favouring estate development.

Joint Venture Schemes on Native Customary Land (Konsep Baru)

Joint venture estates are those established under the Konsep Baru policy, involving customary landholders, a private investor, and a managing agent. These schemes are in principle initiated by a special NCR Unit in the Ministry of Land Development

(MLD). Initially the managing agent was either the Land Custody and Development Authority (LCDA) or the Sarawak Land Development Board (SLDB), but the latter agency has withdrawn from involvement in Konsep Baru schemes, leaving the field to LCDA. In practice LCDA takes much of the initiative in setting up these schemes and there is some rivalry between the MLD and LCDA in this respect. This may in part relate to the “side-benefits” associated with selecting the investor and setting up the joint venture.

As mentioned above, the LCDA was established in 1982 to initiate and coordinate schemes for land development on agricultural, residential, and industrial sites, as well as for “economic and social development”, whether in its own capacity or by acting as an intermediary between land-owners and private corporations. As with SALCRA, LCDA is deemed to be a native, giving it power to deal in Native Customary Land. LCDA too proceeds by declaring land to be a development area. However, the requirement for prior consultation evident in the SALCRA Ordinance is considerably weakened, the only condition being that “it appears to the Minister that it would be in the interest of the inhabitants of any area that such area should be developed”. Where an agreement to develop the land has been entered into with the owner, he is required to transfer his title or rights to the land to the Authority, which holds them in trust until the development is completed. LCDA is not primarily a land development agency in the same sense as SLDB and SALCRA but an intermediary between landholders (whether the State or customary landholders) and private plantation companies.

Under the Konsep Baru policy the customary landholders agree to assign their land rights to LCDA, which then forms a joint venture company with a private-sector partner. A consolidated land title covering 5,000 ha or more is issued to the joint venture company for a 60-year period (two cycles of oil palm). Following a rough ground survey (termed a “picket survey”) of individual holdings within the lease area, the joint venture company pays the value of the land to the owners, pegged at RM 1,200 per ha. Of this, 10 per cent is paid up-front in cash, 30 per cent is invested in a government unit trust scheme, and 60 per cent is regarded as the landowners’ (30 per cent) equity in the company. The private-sector partner has 60 per cent equity and LCDA 10 per cent. Landholders receive no title to their land²⁹ but can expect to receive dividends according to the area of land contributed to the project. In effect, then, the private plantation company leases the land from LCDA, acting as trustee for the landholders, in return for 60 per cent of the profits, and it can then manage the estate as if it was a private concern. These are essentially the same terms as if it was entering into a joint venture with LCDA alone (see below). Landholders can obtain employment on the estate but are not involved in any management decisions or financing arrangements.

The MLD lists 34 joint venture projects on customary land and reports that 33,000 ha were planted with oil palm under this joint venture arrangement by October 2006 (Table 1). Thus only 6 per cent of the total oil palm area is in Konsep Baru projects. This is less than half the area under group or managed smallholdings – the main alternative arrangement for the development of customary land. Over a third of the

²⁹ In response to landowner concerns about the lack of title, the MLD now issues a laminated printout of the picket survey of each parcel of land contributed to a joint venture scheme, showing the boundary coordinates and the owners of neighbouring parcels (Interview with James Masing, December 2006).

area in joint venture schemes is in one large project, the Kanowit Oil Palm Project in Central Sarawak, with Boustead as the joint venture partner. However, the project has given rise to a number of issues (IDEAL 2001; Matsubura 2003). Some of the concerns expressed to researchers by both participants and non-participants were: the developer often bulldozed land indiscriminately without taking account of the locations of fruit groves and cemeteries, or of the land withheld from the project by non-participating households or longhouses; up-front payment was not always received; there was little opportunity to pursue alternative land-use options as almost all the land was planted with oil palm; the workers received low wages and disliked the monotonous and regimented nature of plantation work; there was no involvement in the management of the joint venture company; there was uncertainty about the level of future dividends to the landholders; there was uncertainty about the status of the land at the end of the project, or if the project failed.³⁰ Similar concerns have been expressed by customary landholders in other areas earmarked for Konsep Baru schemes (Songan and Sindang 2000; Dimbab 2000; Majid Cooke 2006).

Public and Private Estates

The first large-scale commercial planting of oil palm in Sarawak began in 1968 with the establishment of Sarawak Oil Palm (SOP) Berhad, a joint venture between the Sarawak Government and the Commonwealth Development Corporation (CDC), which planted an area of just over 5,000 ha of State land near Miri.³¹ This functioned from the outset as a commercial estate with largely Indonesian labour.³² By 1981, when Taib began to introduce his policies, SOP had the only oil palm estate in Sarawak.³³ However, this changed dramatically as a result of the surge in the profitability of oil palm and the policies and legislative changes described above. With cashed-up local timber companies such as WTK and Rimbunan Hijau, and plantation companies from Peninsular Malaysia such as Perlis, Golden Hope, Boustead, and Tradewinds (as well as government-owned corporations such as FELDA Bhd and FELCRA Bhd) keen to invest in large-scale oil palm estates, the Taib Government streamlined access to State land for this purpose, including large areas subject to native customary rights claims. The two key mechanisms have already been described – the provisional lease (in effect, bypassing the question of customary land claims) and joint ventures with LCDA (thus permitting the private development of untitled land outside a Mixed Zone).

³⁰ By 2005 the initial 11,000 ha was fruiting and another 3,000 ha had been planted. There were reports of an illegal syndicate allegedly selling oil palm land in the estate (*Bernama* 16 May 2005).

³¹ The Colonial Development Corporation was established in 1948 to develop the resources of Britain's colonies by providing finance for businesses. In 1963 it was renamed the Commonwealth Development Corporation. In 1970 it extended its role beyond Commonwealth countries. Since 1997 it has focused on equity investments.

³² Alan Webb, an expatriate businessman, recalls that CDC "found that they could not keep a large force of Sarawak born estate workers, and from that period onwards always depended on a supply of Javanese labour from Indonesia, in order to survive." Unpublished memoir, 1985.

³³ Since the 1980s the SOP Group has grown into one of the largest private plantation companies with over 30,000 ha of oil palm in Miri and Bintulu Divisions, generating revenue of RM85 million in 2005. SOP is now majority-owned by the Miri-based Shin Yang Group, headed by Datuk Ling Chiong Ho, which has extensive logging, plantation, shipping and construction interests and close connections with the political elite. LCDA also holds a substantial share. Shin Yang has been involved in controversial logging activities in the upper Baram as well as developing a large oil palm plantation in the forested lands in the upper Rejang vacated for the Bakun Dam project.

The first significant expansion of the estate sector came in the 1980s through the entry of FELDA Bhd, operating as a public plantation company. Perhaps hoping to replicate its large estate complex in eastern Sabah, FELDA Bhd negotiated a provisional lease through LCDA to what was ostensibly unencumbered State land near Lundu in the south-western corner of the state. However, despite the assumption that it had clear title to the land, it encountered local resistance from Dayak claimants. This was initially met with force but eventually resulted in a negotiated settlement. As the LCDA General Manager remarked ruefully in an interview: “We cannot send the police in around the clock”.³⁴ Perhaps because of these difficulties, the operations of FELDA Bhd have been confined to this one estate of 7,680 ha.

Despite this early setback, from the 1990s the number of provisional leases issued for oil palm development grew rapidly. Hence the area in private oil palm estates increased from 20,300 ha in 1990 to 456,700 ha in 2006 and now represents almost 80 per cent of the total oil palm area (Table 1). Fig. 5 shows the dramatic expansion of the estate sector, both in absolute terms and relative to government schemes and smallholdings, since 1980.

In some cases, presumably where the land is outside a Mixed Zone, the provisional lease has been issued to a joint venture company formed between LCDA and the private investor, with LCDA holding 40 per cent of the equity. Hence from the investor’s perspective there is little difference between a joint venture with LCDA alone and a Konsep Baru joint venture involving landholders as well. LCDA reported 20 such joint venture projects by 2006 with a total planted area of 65,527 ha, mostly under oil palm. This was almost double the area in Konsep Baru estates and accounted for 11 per cent of the total planted area in the state (Table 1).

In most cases, however, provisional leases have been issued directly to private plantation companies, including Sarawak-based timber companies and other local firms set up to exploit the oil palm boom (many with close political connections to the Taib government), as well as long-established plantation companies from Peninsula Malaysia.³⁵ These purely private estates account for 359,000 ha or 62 per cent of the total oil palm area (Table 1). As well as the returns to investment in oil palm, which are clearly high, developers and their associates often have the opportunity to profit up-front from the timber extracted from a lease area. Another form of up-front benefit is obtained when a paper company formed for the purpose obtains a provisional lease and is then able to extract rent through its contractual relationship with a genuine developer. Given the extensive areas involved and the desire to keep costs low, most of the labour for the private estate sector has been provided by Indonesian workers.

As mentioned, in theory the provisional lease requires the lessee to identify any customary claims and negotiate acceptable arrangements with the claimants before the lease can be confirmed. In practice, capital has been raised and land clearing commenced on the assumption that the provisional lease gave the company clear title to all the land falling within the perimeter of the lease area. The 1996 amendment to the Land Code referred to above clearly encouraged this interpretation. Hence longhouse communities who claimed customary rights to part or all of the land

³⁴ Interview with Hamid Bugo, Kuching, April 1985.

³⁵ There is little foreign investment in the oil palm industry. On the contrary, Malaysian companies are actively investing in other palm-oil producing countries such as Indonesia and PNG.

allocated for a private oil palm estate often knew nothing of the granting of a provisional lease until bulldozers arrived to clear the area for planting. When they protested they were mostly ignored, given notice to leave the area or, in the worst cases, subjected to violence. The response of a number of Dayak communities has been to blockade estate access roads, prevent bulldozers from working (e.g., by removing the keys or impounding the bulldozers), and in many cases institute legal proceedings (IDEAL 1999; Cramb 2007). In two incidents, one in 1997 and another in 1999, both in northern Sarawak, clashes between longhouse members and police or plantation company employees have resulted in fatalities.³⁶

Such incidents represent the extreme outcomes of a widespread and on-going conflict over land. In 2000 the Ministry of Land Development recorded 107 private oil palm estates with a planted area of 263,000 ha (an average of almost 2,500 ha per estate). Of these, 24 were listed as having problems with their provisional lease. However, these 24 accounted for an approved area of 206,500 ha and a planted area of 105,500 ha (about 40 per cent of the private sector planted area at that time). Of the total approved area, 46,100 ha (22 per cent) were under native customary rights claims and 16,400 ha (8 per cent) were occupied by “squatters”. For individual estates the area under such land claims ranged from zero to 5,700 ha in the case of the Sarawak Oil Palm Plantations’ Suai estate, the latter comprising 87 per cent of the approved area.

Conclusion

Large-scale capitalist plantations or estates have played a minor role throughout most of Sarawak’s agrarian history. Rather, the local agricultural economy has been based largely on village-based smallholdings throughout the colonial period and for several decades after the formation of Malaysia. Customary land has provided the basis for a mixture of subsistence activities and smallholder export crops, notably rubber and pepper. Whereas something resembling the concept of a “dual economy” could be discerned in Peninsular Malaysia and Sabah, this was not the case in Sarawak before the 1980s.

From 1981, in response to the global demand for palm oil, pressure from private plantation and timber interests, and the associated opportunities for surplus extraction and political patronage, Taib Mahmud set out to *create* a dual agricultural economy in Sarawak where there had been none before, thus “reinventing dualism” not only in rhetoric but in reality. To do so he has promulgated a policy that has focused on delivering extensive tracts of state and customary land to private estates, while minimising the potential for various modes of smallholder expansion, including independent, supported, and group smallholdings.

The policy narrative justifying this transformation has focused on the “new concept” of using joint ventures to bring the natives (with unlimited supplies of idle land) into the modern sector or mainstream of development. In fact, this mode of expansion has

³⁶ In 1999, after repeated intimidation by employees working for a sub-contractor of Sarawak Oil Palm Sdn Bhd, two longhouse communities in Ulu Niah allegedly retaliated by murdering four of them. The community leaders had earlier written to police headquarters in Kuala Lumpur complaining of encroachment on their land by the oil palm company and the employment of gangsters to intimidate them (IDEAL 1999).

contributed only six per cent of the total oil palm area, less than half the area under various forms of smallholding. The main game has been to facilitate the transfer of land to the rapidly expanding private estate sector, which accounts for nearly 80 per cent of the oil palm area. This strategy creates the maximum opportunities for surplus extraction and patronage through the allocation of land leases, timber licences, business contracts, directorships, consultancies, and shareholdings. Smallholder oil palm, while helping to reduce rural poverty, provides insufficient incentives for private capital and therefore insufficient opportunities for rent-seeking politicians, bureaucrats, and the *ersatz* business class (comprising relatives and associates of the first two sets of actors). The policy narrative trumpets the role of the state in unleashing the dynamism of the modern sector on behalf of its backward citizens while at the same time concealing the true nature of the agrarian transition underway.

When viewed through satellite images, the conversion of agricultural and forest lands to large-scale oil palm plantations in Borneo can seem to be an inexorable process of “agricultural expansion”, driven by global economic forces. This examination of policy narratives and modes of expansion in Sarawak has shown that it is a process with various potential pathways and outcomes; that it involves contestation between actors within the state, within rural communities, and between state and community spheres; and that it is ultimately influenced by the exercise of ideological, political, legal, and economic power to redistribute access to land and forest resources. Better understanding of these processes can help to inform those engaged in critically responding to the current trajectory of agrarian change.

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Table 1 Oil palm area in Sarawak at October 2006 by plantation category

Category	Planted area (ha)	% of total area
Independent smallholders	18,988	3.3
Organised smallholders		
- SALCRA	45,178	7.8
- FELCRA	26,980	4.6
Sub-total	72,158	12.4
Joint venture estates with customary landholders (Konsep Baru)	33,193	5.7
Public-owned estates		
- Sarawak Plantation Bhd (formerly SLDB)	24,445	4.2
- FELDA Bhd	7,680	1.3
Sub-total	32,125	5.5
Private estates		
- Private-public joint ventures (LCDA)	65,527	11.3
- Private estates	359,049	61.8
Sub-total	424,576	73.1
Grand total	581,040	100.0

Sources: Various (see author for details)

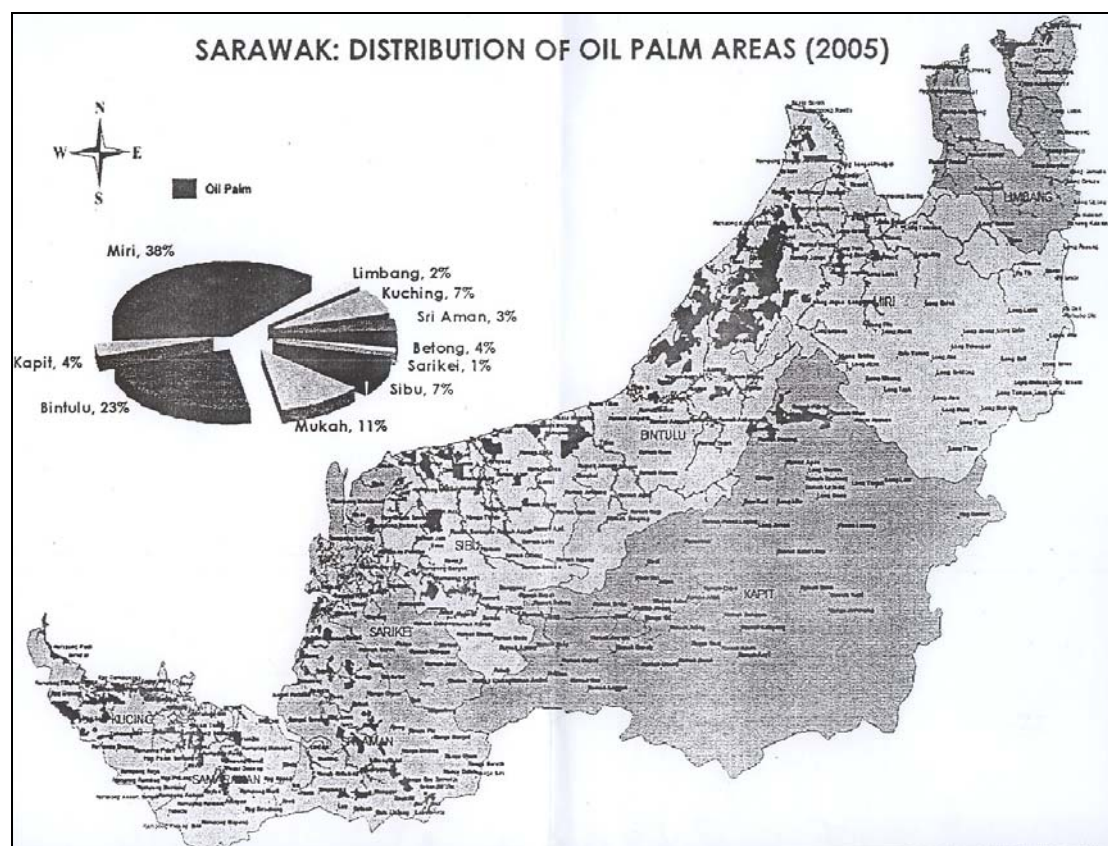


Fig. 1 Distribution of oil palm in Sarawak, 2005

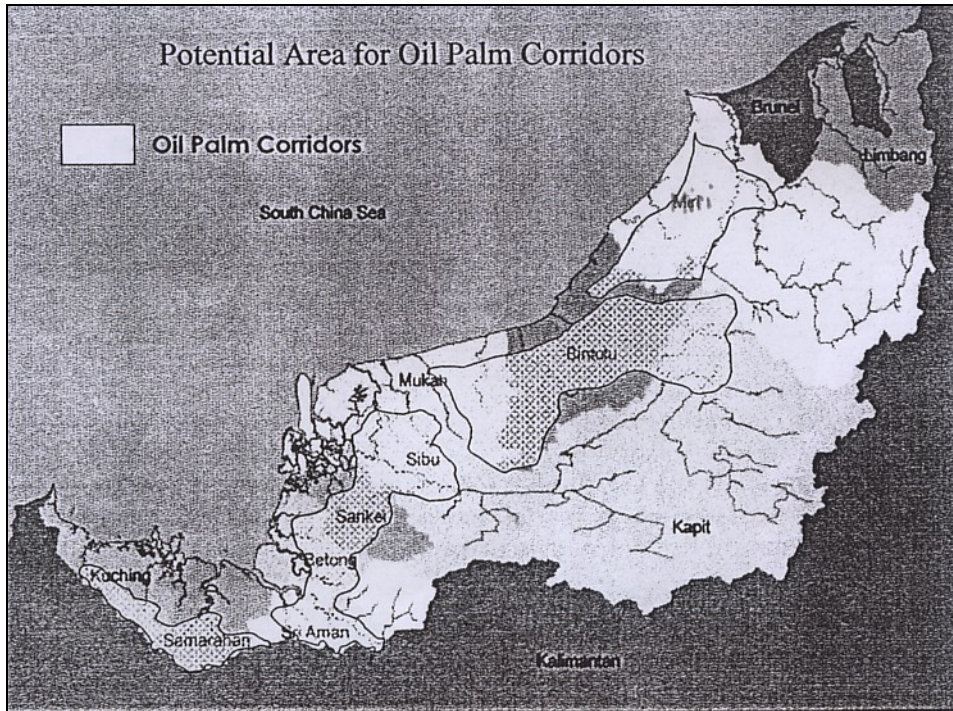


Fig. 2 Regions identified for oil palm expansion in Sarawak

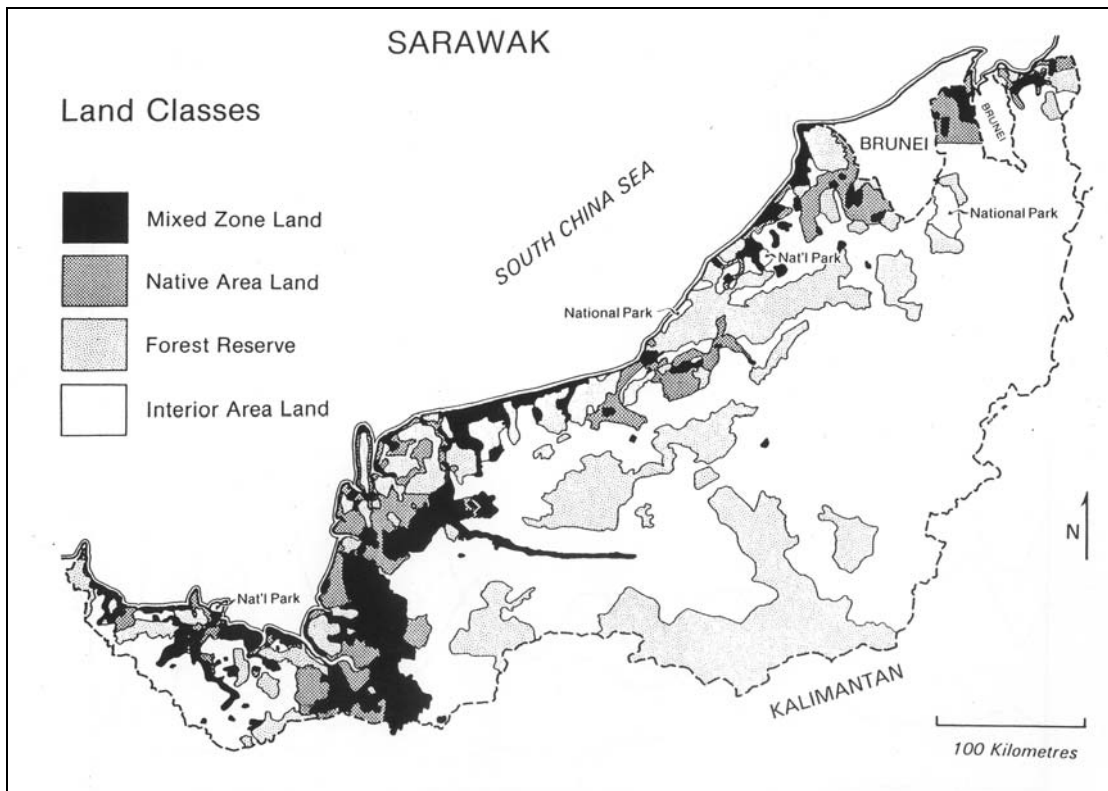


Fig. 3 Land classification in Sarawak

Fig. 4 Area of hill rice in Sarawak, 1985-2004

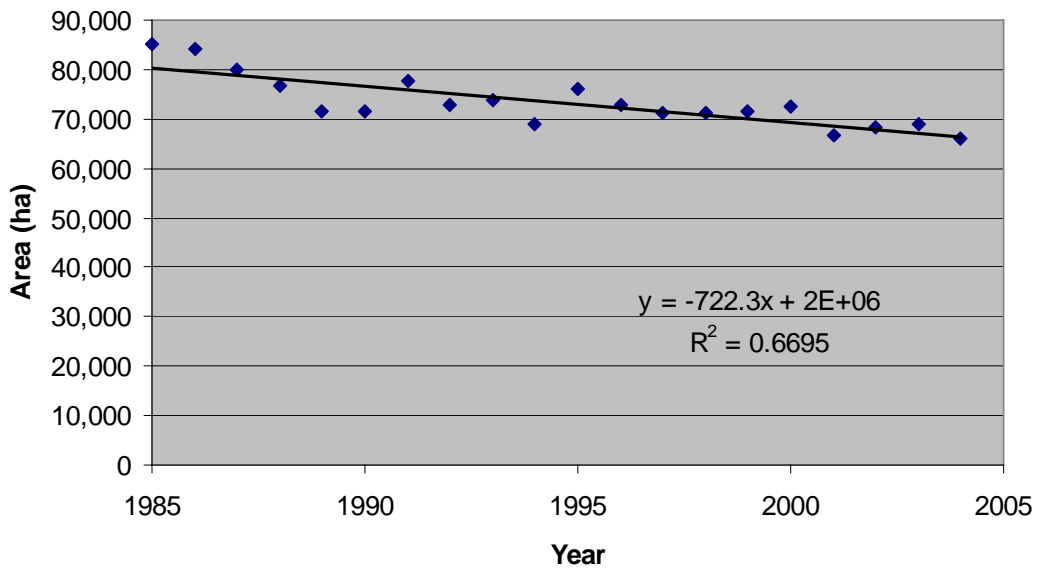


Fig. 5 Oil Palm Area in Sarawak by Plantation Type, 1980-2006 ('000 ha)

