LESSONS FROM THE COMMONWEALTH

Sarawak: A Malaysian Economic Story

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Edited by Commonwealth Exchange

Foreword by Dr Erik Jensen

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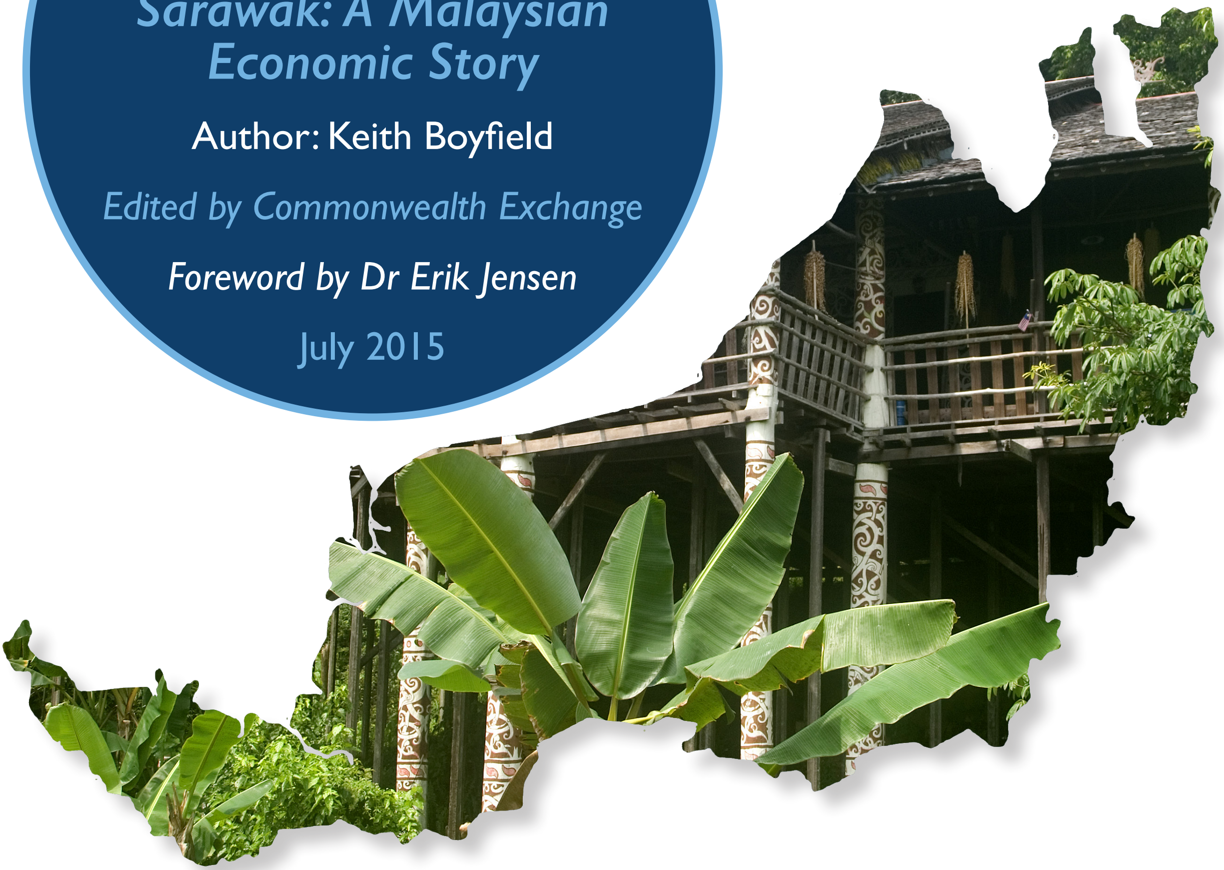

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/Introduction to the *Lessons from the Commonwealth* series/

Commonwealth Exchange (CX) was established to make the case that, far from being unfashionable and outmoded, the Commonwealth has a vital and vibrant role to play in the twenty-first century. The modern Commonwealth is an interconnected global network of equals, which has 2.3bn people from developed, developing, and emerging economies on all continents. At present it is often an under-utilised resource for the public, policy makers, and politicians alike.

We also aim to highlight the voluntary nature of this network. It does not send out diktats from the centre or demand specific policies of its members beyond a broad agreement to a core set of values and principles.

That is why we have set out a new series of guides: *Lessons from the Commonwealth*.

The *Lessons* will seek to highlight some of the innovative, fascinating, and often remarkable solutions Commonwealth countries have found to the problems facing them today. However they will not be free from a critical eye. No suggestion is 100% perfect and there is as much, if not more, to learn from a country's missteps as from the successes.

By highlighting what Commonwealth nations have done well, and the pitfalls they met, other countries in and out of the Commonwealth can learn a great deal as they seek to tackle similar problems. Not every solution will be applicable to every country, but they will hopefully shine a light on some of the best practice in global policy making.

In this Sarawak context, we are grateful for the work that Keith Boyfield has been able to produce looking at the region in considerable length and detail. We are equally honoured to have had Dr. Erik Jensen contribute a foreword to this report. Collectively, their knowledge of Sarawak is certainly without parallel.

The *Lessons* more generally will show how much Commonwealth members can learn from each other, no longer turning to a single country, but able to work both independently and as part of the most diverse network on the planet.

Finally, and crucially, these guides will not be a set of rigid instructions. They will examine how a country dealt with a particular issue, highlight where things were done well as well as poorly, and from this, make a number of recommendations that other nations may wish to follow.

Importantly they will be in the same voluntary spirit as the Commonwealth as a whole. They are there as a useful guide for countries to use what is relevant to them in seeking prosperity, democracy, sustainability, the rule of law, and the other myriad values of our modern Commonwealth.

The Commonwealth Exchange Team

/The Author/

Keith Boyfield is an economist educated at the London School of Economics. In recent years he has developed a special interest in Africa and the developing world. He is the author of over eighty studies on economic and public policy issues. Keith is currently the Africa Editor of The Journal of World Economics (www.worldeconomics.com). He has paid two separate visits to Sarawak in the last few years and he has also undertaken research trips to Gabon, Nigeria and Togo.

Keith is a member of Commonwealth Exchange's Advisory Board.

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/Foreword – Dr Erik Jensen/

Sarawak, rain-forest haven for rare animals and singular species, inhabited by exotic tribes with a reputation for headhunting and ruled by white Rajahs, was remote, isolated and rarely visited. By 1959, when I arrived, it had become a British colony, but in most respects was little changed. Travel remained mainly on foot or by river; it took two weeks to reach a place now within hours from Kuching, where I lived beyond telephone or other means of communication. By 1963, the year Sarawak was declared independent as a state of the new Malaysian Federation, isolation had ended and change was ubiquitous.

Traditional shifting subsistence agriculture was failing a growing population while awareness of the wider world raised expectations. Discovering off-shore oil deposits gave hope; forests were exploited for timber, new commercial crops were introduced, rivers were dammed to generate hydro-electric power. Sarawak benefitted from a burgeoning road network with public transport, improved schooling and access to medical treatment. But not without problems.

Keith Boyfield's fine paper summarises extremely well the Sarawak experience and the lessons to be drawn from it. It stresses the need to curb illicit timber extraction, to tackle corruption, to guarantee integrity of the legal system, to ensure that benefits are fairly distributed.

Sarawak has reached a stage where it can afford, and will hopefully choose, to calibrate the best path forward. Rainforest and wildlife are irreplaceable resources, not to be decimated for rapid profit. Oil palm is a beneficial crop so long as land rights and other vegetation are respected; the employment it generates is valuable provided it uses local people and furthers training.

The Sarawak economy relies heavily on exporting hydrocarbons and minerals. It would profit from diversifying with more emphasis on manufacturing and service industries. The potential for tourism is great: to rediscover what enchanted travellers in the past. Less than 1% of current visitors come from beyond the region. The UK, Australia, New Zealand and Canada all have special links that could be imaginatively exploited.

Sarawak is, like any country, unique, but the challenges faced following independence, the scope generated by exploitation of fossil fuels, the introduction of commercial scale crops, problems of corruption, land rights and labour, are all familiar elsewhere. Commonwealth states in Africa and the Caribbean may find relevant the Sarawak experience.

Dr. Erik Jensen

Author of *Where Hornbills Fly: A Journey with the Headhunters of Borneo*
Former UN Under-Secretary-General

Dr. Jensen's impressive diplomatic career after Sarawak, which involved postings and missions around the world from New York and London to Bahrain, Pakistan and Bangladesh, East Timor, Nigeria, Chad and Western Sahara, culminated in his appointment as an Under-Secretary-General of the United Nations. He holds degrees from Oxford and Harvard and honorary doctorates from Connecticut and Seoul and has been Senior Associate Member of St Antony's, Oxford, Visiting Fellow at the LSE and Warburg Professor in International Relations at Simmons College, Boston. Erik Jensen was an original Fellow of the Borneo Research Council and is a Fellow of the Royal Geographical Society and a Member of the Royal Institute of International Affairs.

Where Hornbills Fly is an entertaining read which not only describes life in Sarawak as it was in 1959 and the years immediately after but takes the reader on a return visit fifty years later to see how the country and its people have evolved. His book serves as an excellent resource for those wishing to visit Malaysia and the Sarawak region which the latest *Rough Guide to Malaysia* has 'especially recommended'. *Where Hornbills Fly* is available from all good bookstores and is recently out in a paperback edition.

/Executive Summary/

This study focuses on a common challenge shared by many developing countries within the Commonwealth, namely how to expand their respective economies? If they are fortunate, they may be able to tap recently discovered minerals and/or hydrocarbon resources. For many member countries of the Commonwealth the potential opportunities are considerable, particularly in a number of African countries: however, so are the hurdles to overcome on the journey to fulfil these goals.

This discussion paper looks at Sarawak, by far the largest state within the Malaysian Federation, yet one that was rarely visited up to the mid twentieth century. Even then, much of the country was impenetrable because of the densely forested terrain. Consequently, it was shrouded in mystery. Commonwealth Exchange has chosen Sarawak as the first in this discussion series because it is an interesting and significant case study of development achieving reliable economic growth in recent decades. In turn, this has generated valuable and much needed employment opportunities for its citizens. Sarawak is concentrating on developing both its core agrarian sector and its manufacturing and service industries. The lessons to be learnt from their experiences offer important insights, which can be applied by other Commonwealth members intent on developing their economies.

Key lessons for other parts of the Commonwealth are as follows:-

- Sarawak has been adept at exploiting its hydrocarbon reserves, both onshore and offshore. It was a pioneer in establishing the world's first commercial middle distillate synthesis plant which enabled gas to be converted into liquefied natural gas (LNG) for export through a purpose built port facility established in Bintulu.
- Sarawak has reinvested dividends and revenues from the hydrocarbon sector into developing the physical and social infrastructure of the state. This has led to improvements in the standards of education, healthcare and transport now accessible to the country's population.
- Targeted investment in agriculture, notably oil palm, along with investment in mining and construction, has also contributed to a substantial improvement in living conditions. Whereas poverty and malnutrition were all too apparent 40 years ago, when the incidence of poverty was recorded at 56.6 per cent, this has now fallen to a mere two per cent today.[1] Over recent decades Sarawak has managed to achieve an impressive and consistent rate of economic prosperity.[2] In terms of global rankings its GDP per capita is now firmly in the middle income levels. Standard & Poor estimate Sarawak's GDP per capita at 'close to $13,200 in 2013'.[3] This is appreciably higher than the figure for Malaysia as a whole, which amounted to $10,900.
- Sarawak has invested in plantation agriculture on an ambitiously industrial scale. This has generated significant employment opportunities and raised the local population's standard of living. Furthermore, the larger commercial companies have co-operated with smallholders in the processing and marketing of their products. However, this move into commercial scale agriculture has attracted criticism, particularly from certain NGO campaign groups.
- Sarawak's system of land ownership is one that has provided many opportunities for shared development. However, it has also triggered censure from some NGOs and campaigners. In practice, one can point to the counter argument that it is open to dispute resolution through the courts, as seen by a number of recent examples. The Economist magazine, for instance, cites Colin Nicholas, a Malaysian academic specialising on indigenous land rights, pointing out that "at least 200 such cases are now working their way through the courts in Sarawak".[4]

1 Introduction: The challenge facing many Commonwealth nations

This study focuses on some key issues that are faced by many Commonwealth nations and territories. These are then examined through the prism of the experiences of the state of Sarawak. The principle issues are:

- How can development on a large-scale commercial basis be sustained with a commitment to safeguard the environment? There is growing and widespread support for protecting ecologically sensitive habitats, such as pristine rainforests or some deep peat regions.
- Concerns are regularly voiced that development must be conducted with the consent of the indigenous population and for the clear benefit of future generations. Therefore, it is worth asking how can economies develop in a sustainable way, both in terms of environmental goals, the social impact of development and the over-arching economic objectives?

2 Sarawak as a case study on how to develop an economy

Sarawak: Map of Sarawak and the region

Half a century ago, Sarawak was an undeveloped state in North-West Borneo, with entrenched poverty. In this sense, it resembled many other regions across the globe. However, in contrast to a number of these regions where economic growth has been sluggish or even negative in recent decades, Sarawak has managed to achieve a strong and consistent rate of economic prosperity. In terms of global rankings, its GDP per capita is now firmly in the middle income levels. Indeed, Standard & Poor's estimates it was near to US$13,200 in 2013, a figure which is markedly above the Malaysian average of approximately US$10,900. Sarawak now faces the challenge of how to promote economic growth but in a sustainable manner which respects its remarkable environmental and physical resources.

When Sarawak was a British Crown Colony in the 1950s, much of the country was a largely impenetrable rainforest. There was one major conurbation – Kuching – plus two other towns of any size, Sibu and Miri. Otherwise, the population was scattered and lived mainly along the rivers that penetrated the dense rainforest in the interior of the country. The only practical means of getting around was by river boat; it took days if not weeks for people to journey from one part of the state to another.[5] Erik Jensen in his compelling memoirs recounting the years he spent in the interior of Sarawak half a century ago, describes the country as a "somnolent, innocent, isolated backwater, known only to a few, difficult of access and content to mind its own business".[6]

The establishment of the 'White Rajah' rule under the Brooke family reads like something out of the pages of a novel, but it is fact, not fiction. Over the years Sarawak has attracted some remarkable, maverick characters, notably one of the two main pioneers of evolutionary theory, Alfred Russel Wallace, and perhaps none more colourful than Major Tom Harrison, the guerrilla leader, anthropologist and polymath who went on to serve as Curator of the Sarawak Museum and became one of the first television celebrities of the modern age, a rival indeed to Sir David Attenborough. Erik Jensen, originally an anthropologist who went on become an eminent diplomat, was another remarkable figure attracted to conduct field research in Sarawak in the 1960s.

Yet, faced with improved longevity coupled with shifting demographics – resulting in many more young people looking for employment opportunities – a whole new approach was called for. Improved health, lower child mortality and a dwindling ability to live off the land – especially local game and fish – led to a chorus of voices demanding an improved standard of living. Political leaders responded to this widespread manifestation of popular will by focusing on policies aimed at moving away from a nomadic subsistence way of life to one dominated by settling the indigenous population and providing them with higher standards of health care, education and transport. This triggered a government-led strategy of investing in a variety of cash crops, principally rubber, pepper and oil palm. A number of other crops such as cocoa, coffee and tea were tried but oil palm emerged as by far the most profitable.

More recently. Sarawak has begun to prosper on the back of exploiting its valuable hydrocarbon reserves, along with developing commercial scale agriculture and striving to diversity its economy away from primary resources and the exports of raw commodities such as oil, gas and timber. Increasingly, the focus is about adding value – whether in the form of refined hydrocarbon products or marine engineering or the production of steel, glass and aluminium. Greater attention is also being given to service industries such as finance and insurance and the undeveloped potential for tourism.

Underpinning this investment in the agricultural sector was a commitment to invest in physical and social infrastructure. The record of achievement in terms of the construction of ports, airports, bridges and roads over the last 40 years is significant. In a move to garner political support Malaysia's President, Najib Razak, announced in June 2015 an additional RM87 m (approximately £14.7 m) in funding support for infrastructure expenditure in Sarawak's interior, principally focusing on a road link between Kapit and Sibu, which is currently only accessible by river ferry. Malaysia's President is keen to point out that he has paid more visits to Sarawak's rural hinterland than all his five predecessors put together.[7] This investment in physical infrastructure has acted as a catalyst for economic growth.

Yet this drive for economic growth has triggered objections with respect to its impact on Sarawak's rich environmental inheritance. These concerns have been fanned by several campaigning NGOs and critics of the government who argue that native people's property rights have been ignored or overriden. Their objections have been covered in a range of publications here in the UK and internationally.[8] Ian Burrell, for example, penned a critical piece in The Independent (28

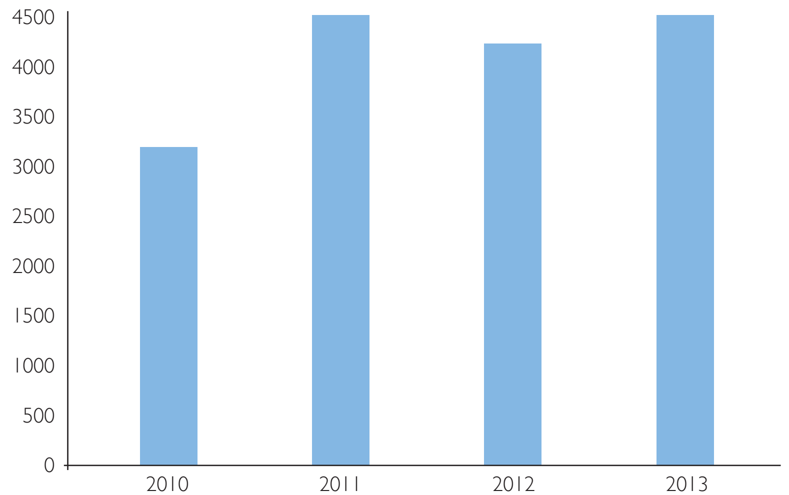
March 2013) with respect to a visit made by Ben Fogle, the conservationist and television presenter, indicating that the travel writer was unaware of the controversy surrounding native peoples' land rights. Burrell also drew attention to a Global Witness video – employing undercover film footage – of a meeting with relatives of a leading Sarawak politician which appears to show them seeking to sell land concessions in an illegal manner. The claims made by the NGO have been refuted by the London based law firm, Mishcon de Raya, on behalf of the former Chief Minister, Abdul Taib Mahmud, as being without foundation yet the media coverage which Global Witness' film has attracted demonstrates the concern centering on land rights in Sarawak.

3 Liquefied Natural Gas (LNG)

Sarawak suffered from political instability in the first decade of its incorporation into the Federation of Malaysia. The old way of life followed by the nomadic people of the forest interior was increasingly unsustainable. The introduction of modern medicine added to the pressures as people were able to survive previous killer diseases such as cholera and diphtheria. A rapidly growing population was scrambling to find employment opportunities; many were unable to do so and consequently were shackled in abject poverty. This frustration led to support for a Communist insurgency movement backed by Sarawak's neighbour, Indonesia. Hostilities finally ended and a peace agreement was finally signed on 4 March 1974.[9]

Sarawak was rescued from economic hardship by a stroke of good fortune, and the timing was opportune. Hydrocarbons – notably gas – were discovered off the coast of the country and petroleum and gas started to be exploited on a commercial basis. These natural resources were tapped by a number of companies, notably Shell, which was the original company to take oil exploration offshore in Sarawak in the late 1950s. Sarawak's first offshore field, Baram, was discovered in 1963. Later on in the same decade, substantial reserves of natural gas were discovered offshore, and this led to the creation of a natural gas liquefaction (LNG) venture, Malaysia LNG (Liquefied Natural Gas), with the participation of

Chart 1: Sarawak's Export Earnings from Crude Petroleum in £ million (£1 = 0.19 ringetts)



Source: Sarawak State Planning Unit

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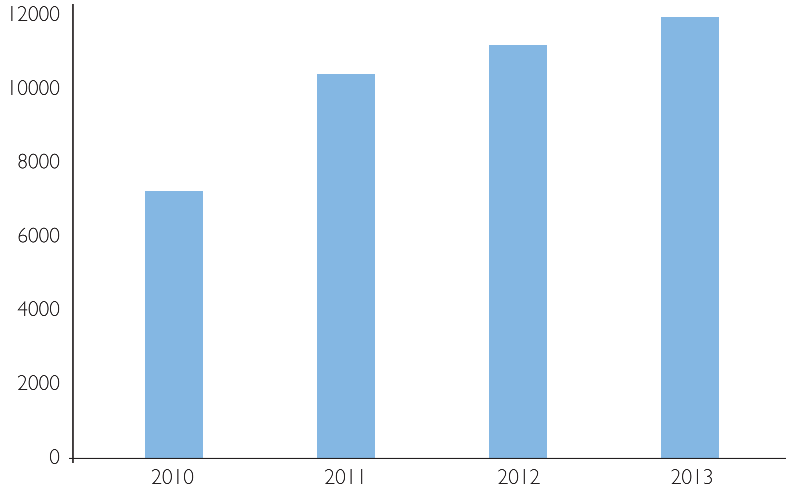
Shell in Bintulu. The success of offshore hydrocarbon drilling led in turn to the construction in 1993 of the world's first commercial middle distillate synthesis plant in Bintulu with gas supplied from offshore wells. The Petronas LNG complex in Bintulu has grown into one of the world's largest and it currently supplies customers on a long term contract basis in China, Japan, South Korea and Taiwan.

Today, in production sharing contracts with Petronas, the state owned Malaysian oil and gas corporation, Shell is the largest natural gas producer in Malaysia and caters for half of Sarawak's natural gas requirements. It is estimated that Sarawak has 1,2978 million barrels of petroleum reserves and 40.9 trillion standard cubic feet (SCF) of gas. Sarawak accounts for much of Malaysia's crude oil output which generated RN 22,566,350,000 in 2013 (provisional estimate), roughly £4,288 million (see chart 1); it is also the sole producer of liquefied natural gas (LNG) in the Federation of Malaysia and, as chart 2 shows the total revenues generated in 2013 are provisionally estimated to amount to RN 59,192,949,000, approximately £11,247 million. No wonder then that in 2013 the oil and gas sector supplied approximately 32% of all Federal government revenue. Sarawak makes a crucial contribution to Malaysia's economy and meets much of central government's annual public expenditure.

Sarawak's state government is lobbying to win more contracts for local companies and to ensure greater participation in the way in which the oil and gas industry is managed. The state government has achieved some progress in persuading Petronas to invest in the fields of human capital including education and technical training as well as offering greater opportunities to local firms and individuals and boosting expenditure on corporate social responsibility.[10]

The revenue from these industries is collected by the Malaysian Federal government and through the state owned oil corporation, Petronas. For decades the state of Sarawak has received a mere five per cent in royalties and this remains a political bone of contention.[11] However in the last year there has been a concerted move by the Sarawak legislature to increase this share to as much as 20 per cent. Petronas has now accepted in principle that it should pay a higher share to Sarawak for its hydrocarbon resources. The crucial question is how much? It is unlikely that Sarawak will receive a

Chart 2: Sarawak's Liquefied Natural Gas (LNG) export revenues generated between 2011 and 2013 (p = provisional figures), £ million (£1 = 0.19 ringetts)

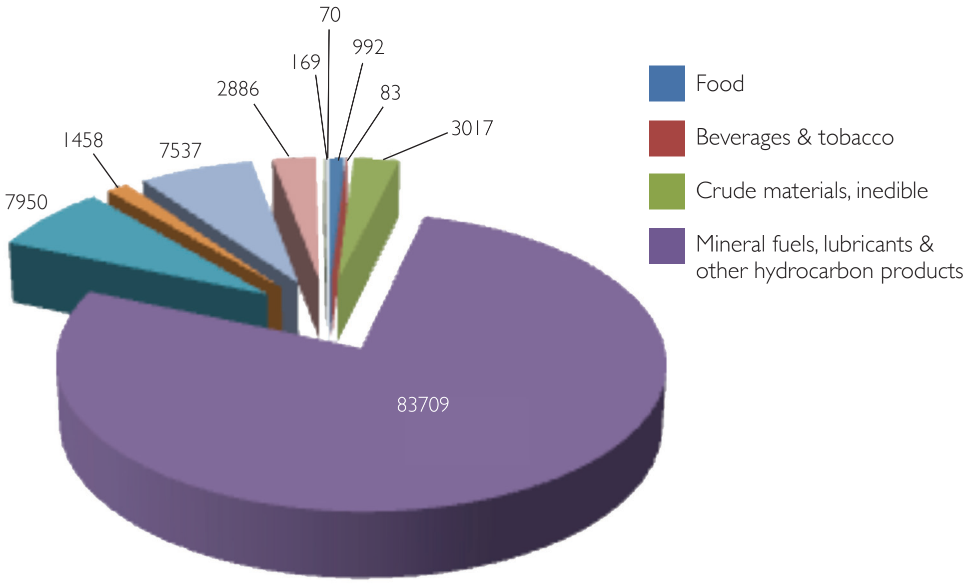


Source: Sarawak State Planning Unit

quadrupling share immediately, particularly at a time when oil prices have plunged on the international trading markets. The former Prime Minister, Dr Mahathir Mohammad, who is an adviser to Petronas, has suggested an increase to "six per cent or more"[12] but this would represent a token change. Given Sarawak's significant contribution to the Federal coffers, and the fact that it exerts considerable political sway in the federal parliament, a doubling of the royalty figure would probably be more appropriate, not only to retain good relations between the state and federal governments but also to fund the much needed and ambitious investment plans the state of Sarawak is pursuing in terms of its infrastructure development.

Analysing a provisional breakdown of the state of Sarawak's exports for 2013 it is striking to note the impact rising global oil and gas prices had on Sarawak's export earnings. As can be seen from chart 3 over three quarters (77.6%) by value were derived from hydrocarbon exports. The total amount derived from oil and gas was RM 83,709 million – approximately £15,905 million (see Table 1 for precise figures). The second most important export earner was vegetable and animal oils,

Chart 3: Analysis of exports in 2013 (provisional estimates) by value (RM million)



primarily oil palm products, which generated RM 7,950million, approximately £1,511 million, equivalent to just over seven per cent (7.37%) of total export earnings. This total was significantly down on the figure recorded two years earlier in 2011 when vegetable oils generated RM 9,417 million ringetts, roughly £1,789 million, reflecting a fall in global oil palm prices from nearly US$ 1,300 per metric tonne in January 2011 to US$829 per metric tonne in August 2013.[13] Manufactured goods, machinery and transport equipment made up the greater part of the remaining 15 per cent of export revenues. Consequently, it can be seen that Sarawak is still heavily dependent on oil and gas and agricultural commodities for its export earnings, a vulnerability identified by Standard & Poor's in its assessment of the state's economy. This exposure to global commodity fluctuations underlines the continuing need to diversify economic activity into the manufacturing and services sectors.

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Table 1: Analysis of Sarawak's Exports in 2013 (provisional estimates) RM Million

	RM million	%
Food	992	0.9
beverages & tobacco	83	0.08
crude materials, inedibles	3,017	2.8
mineral fuels, luricants & other hydrocarbon products	83,709	77.6
vegetable and animal oils and fats including palm oil	7,950	7.37
Chemicals	1,458	1.35
manufactured goods	7,537	6.99
machinery & transport equipment	2,886	2.68
miscellaneous manufactured goods	169	0.16
miscellaneous transactions & commodities	70	0.07
Total	**107,870**	**100**

Source: derived from Sarawak state planning unit estimates.

4 Palm Oil

The History of Oil Palm Plantations in Sarawak

Until the mid 1970s, oil palm was not cultivated in Sarawak and the main cash crops tended to be rubber, cocoa and pepper. However, it was realised that oil palm offered much higher yields than these crops. Indeed, it is instructive to note that oil palm is far more productive in terms of acreage than other sources of oil seed, notably soybean, sunflower and rapeseed oil, none of which yield more than 0.8 tonnes per hectare in comparison with the figure of over four tonnes per hectare typically generated in the case of oil palm, as shown in table 2.

The first state sponsored oil palm estate, known as Merindun, was created on a 1,000 acre site by SALCRA (Sarawak Land Consolidation & Rehabilitation Authority) in tandem with local people at Sri Aman in 1977. The motivation behind this initiative was to use underutilised native land in order to generate a better income stream and capital dividend for the local rural population. Furthermore, the plantations would also be served by improved roads and bridges along with social infrastructure such as clinics and primary schools. Datu Vasco Sabat Singkang, SALCRA's General Manager says, "We now have 18 estates, more than 50,000 hectares of land under our management and have paid out more than RM 500 million to our landowners". In the process, he notes, "We have helped build longhouses, bridges, roads as well."[14]

Table 2: Typical Yield of Palm Oil against other Oils

Oil	Tonnage per hectare
Soybean oil	0.37
Sunflower oil	0.5
Rapeseed oil	0.75
Palm oil	4.09

Source: World Bank/IFC[14]

Land under oil palm cultivation now amounts to 1,160,900 hectares, a significant increase from the figure of 744,000 hectares in 2008. This reflects a major stream of investment by SALCRA, the state owned vehicle, and a number of private sector companies, sometimes operating on a joint venture basis with SALCRA.

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The Current State of Development

Sarawak's Ministry of Agriculture is seeking to increase productivity across the oil palm industry through a range of initiatives and new plantation programmes. A total hectarage of 367,000 of Native Customary Rights land (NCR) lands are currently being developed through no less than 42 joint ventures between the NCR stakeholders and outside investors. To date, seven have been completed, while planting is under way on a further 26 projects with land banks being identified and amassed on another 15 projects. As a result, a total of 47,703 hectares of oil palm plantation are at various stages of maturity, around two thirds of the total 70,000 hectares of planted plantation.

In addition, five joint ventures, involving NCR land with total acreage of approximately 42,000 hectares, are under

Table 3: Global Ranking of Palm Oil Producers in 2014

Rank	Commonwealth member	Country	Production (1,000 MT)
1	no	Indonesia	33,5000.00
2	yes	Malaysia	21,250.00
3	no	Thailand	2,250.00
4	no	Colombia	1,070.00
5	yes	Nigeria	930
6	yes	Papua New Guinea	630
7	no	Ecuador	575
8	no	Honduras	440
9	no	Côte D'ivoire	400
10	no	Guatemala	355
13	yes	Cameroon	270
14	no	Democratic Republic of Congo	215
15	yes	Ghana	135
18	no	Angola	58
21	no	Guinae	50
22	yes	India	50
23	no	Benin	50
24	no	Liberia	42
26	yes	Sierra Leone	36
27	no	Togo	9

Source: US Department of Agriculture

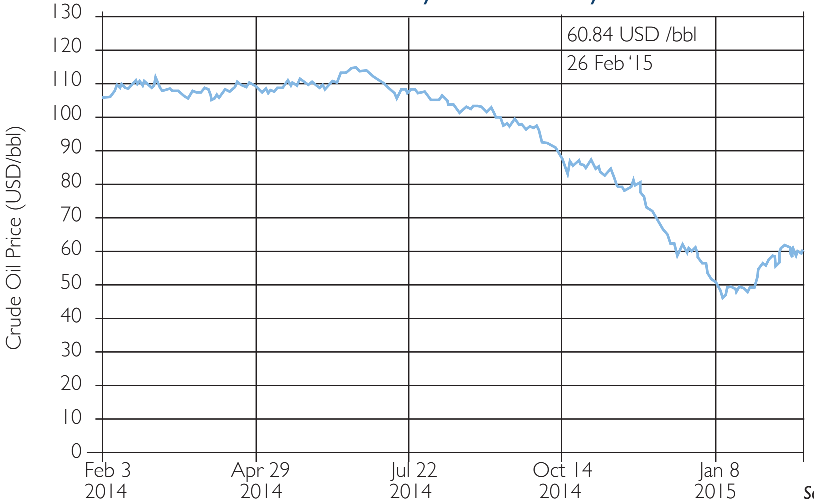


Chart 4 Crude Oil Price February 2014 – February 2015

Source: InfoMine.com

development although final agreements have yet to be signed. When these five new projects are given the go ahead the total NCR land under cultivation through joint venture initiatives will amount to around 400,000 hectares.

Challenges for the Sarawak Oil Palm Sector

The most significant task is the need to recruit and train a skilled labour force. The experience learnt in Malaysia and Sarawak has considerable bearing on how oil palm estates might be developed in other developing countries, notably Commonwealth countries in Sub Saharan Africa such as Ghana, Nigeria and Uganda. Table 3 provides the latest rankings for production of oil palm by country including Commonwealth producers and a range of Sub Saharan nations. Two countries dominate output: Indonesia and Malaysia and together they account for around 85 per cent of global production. However, in recent years, partly as a result of land scarcity and concerns about the preservation of rainforests, Far Eastern companies such as Wilmar, Olam and Sime Darby have been investing heavily in countries such as Liberia, Gabon and Sierra Leone.

In West Malaysia many of the commercial oil palm estates are reliant on immigrant labour from countries such as Bangladesh and the Philippines. Yet one of the primary objectives of the oil palm plantation schemes pursued by the government in Sarawak is to provide a range of employment opportunities for the local rural workforce, especially those who enjoy native customary rights to land. By offering financially attractive opportunities in the rural hinterland, the pace at which many of the young migrate to urban areas has been mitigated, thereby maintaining and improving economic activity in the countryside while lessening pressure on housing and social infrastructure in the already rapidly expanding coastal cities.

Nonetheless, the labour issue remains a continual challenge in Sarawak. The Sarawak Oil Palm Plantation Association (SOPPOA) reports manpower shortfalls of between 20 to 30 per cent which has resulted in losses of as much as 15 per cent because of un-harvested rotting fruit bunches. This problem has widened the gap between yields achieved in West Malaysia and those typically found in Sarawak,[15] albeit the establishment of many new plantations in East Malaysia also reduced overall yields.

A strategy which is likely to gain ground is to adopt more mechanisation in the cultivation, maintenance and harvesting of oil palm estates. This will be made easier by switching to dwarf varieties of trees, a strategy employed with a number of other crops. A move towards mechanisation is already happening in West Malaysia, notably on plantations managed by the larger oil palm growers, such as United Plantations Berhad. As prices for equipment and their associated running costs[16] begin to fall, one is likely to see a significant change in harvesting methods. These improved harvesting techniques are also likely to be implemented in large scale plantations in Sub Saharan Africa although, inevitably, the respective costs of local labour and capital equipment are bound to play a pivotal role.

In Nigeria, for example, mechanised harvesting has been widely adopted as a standard operating procedure. A plantation of 4000 hectares with trees ranging from 8 to 35 years old can deliver harvesting volumes of up to 600 tons a day. Looking ahead, the key challenge will come when the new shorter hybrid trees that have begun to be planted reach maturity; plantations will accordingly be obliged to switch from the current range of harvesting equipment to a new generation of harvesting cutters and carriers. Neil Danby, the CEO of GEAPPC Viridi Nigeria Ltd, a recently established oil palm plantation business, stresses, "The crucial question is how far you take mechanisation before you create a negative effect on the communities who have donated or leased their land to the palm plantation developer?" He points out: "The knock-on effect of such increased practices drastically reduces the local content employment. In turn, the plantation land donor communities may act in a disruptive way. This creates a scenario whereby the accountants push for a more efficient economy of scale, in reality a false economy is then born".[17] Unlike some Far Eastern palm plantation countries Nigeria does not have a labour shortage. Indeed, the situation is quite the reverse: new employment opportunities are urgently required, not least to deter social unrest.

Entrepreneurial investors like Danby are convinced that community training and development through the creation of new employment opportunities must be awarded the same degree of priority as measures to safeguard the environment. This is the approach pursued in Sarawak with a focus on combining appropriate modern technology with well tested traditional techniques. By doing so, plantations can help create and retain a high level of employment and enhance community wealth distribution. "To have a successful large, scale plantation in Nigeria you must be community focused and engage them as shareholders and stakeholders", remarks Danby. "This will safeguard your business in many ways; it will also enhance profitability as you will not need to spend valuable time and resources fire-fighting local communities".[18]

Lessons for Commonwealth Nations on the development of an Oil Palm Sector

- *Small scale subsistence agriculture on its own cannot meet the demand for food from a rapidly rising population. In order to meet the growing demand for food countries need to develop commercial large scale agriculture although, as Sarawak's example indicates, there are a number of opportunities for local smallholders to co-operate with larger concerns.*
- *Sarawak has focused on oil palm plantations because it is the most profitable crop with the highest yield obtained from investment per hectare. This has helped minimise the impact of commercial agriculture on the country's rich and diverse rainforest resources.*
- *Other Commonwealth members in suitable tropical regions can emulate this initiative to generate employment opportunities and income for their rural communities.*
- *An innovative approach has been adopted by SALCRA, a state agency responsible for the systematic development of NCR on a commercial basis. Local people are involved through retaining formal title to their land while they also have the opportunity to earn an income and a dividend from the proceeds of the operation of palm oil plantations developed on this land. This has lifted many of the rural poor out of poverty; it has given them a real stake in thriving agricultural enterprises; and i t has enabled many of them to send their children to college and universities.*
- *Losses due to pests and disease are a perennial problem. However, recently developed bio control techniques together with research into oil palm's genome sequence promises the prospect of being able to develop strains which are more resistant to disease and fungal infections. Consequently, this should enable plantations across the tropics to effectively manage these threats to productivity.*

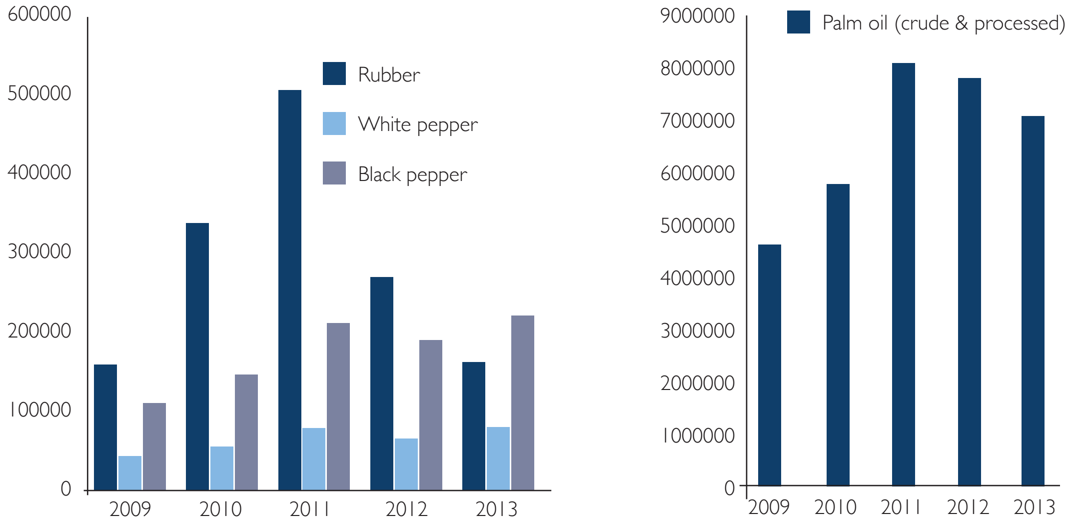
- *Looking ahead, one is likely to see the gradual introduction of more mechanisation on oil palm plantations, thereby boosting harvests and the efficiency of these operations. This will enhance working conditions on plantations and minimise some of the more physical demands on the labour force. However, the adoption of new technology needs to be handled with sensitivity since any rush into automation could trigger local resentment and hostility to new investment.*

5 Sarawak's Future Development

The state of Sarawak has invested heavily in its development programme, a process funded by a combination of oil and gas revenue receipts and a substantial stream of debt linked to the issuing of bonds on the international capital markets. Sarawak's extremely strong liquidity position supports its robust investment grade credit rating; Standard & Poor's gives it an investment grade 'A-' while Moody's awards it a comparable investment-grade A3 rating. The former points out that the Sarawak economy is concentrated in commodities which enabled the government to channel 70 per cent of its annual budget into development activities while the remaining 30 per cent was spent on operating expenditure. To date, much of the investment the government has pursued has been in the agriculture and forestry sectors. This has provided valuable employment opportunities for people across the country, notably in rural areas. This has had the additionally beneficial social effect of stemming the migration into urban areas.

Investment in the agricultural sector has clearly triggered benefits in terms of export earnings. Helped by a surge in global prices and the planting of a high yielding latex timber clone variety, revenue generated from rubber increased dramatically from between 2009 and 2011, climbing from £29,483,000 (RM155,174,000) to £95,362,520 (RM 501,908,000). However, export volumes have dropped from 38,153 tonnes in 2011 to 20,528 tonnes (provisional estimate) in 2013 while the export price per tonne has plummeted from £2,500 (RM 13,155) in 2011 to £1,462 (RM 7,694) two years later. These fluctuations underline the vulnerability of the economy to a see-saw in commodity prices. Whereas Sarawak earned

Chart 5: Sarawak's agricultural exports RM ('000s) 2009 – 2013



Source: Sarawak external trade statistics, Sarawak state planning unit

£95,362,520 (RM 501,908,000) in 2011 from exports of rubber, two years later it was only able to generate £30,007,270 (RM157,933,000) from the same commodity (see chart 5).

Fluctuations in the market for white and black pepper have not been so dramatic. Indeed, global demand is surging as consumers worldwide develop a taste for ethnic cuisines (global prices climbed by 74% over the three year period 2009 to 2011. Income received from exports of black pepper have doubled from £20,131, 640 (RM 105,956,000) in 2009 to £41,230,000 (RM 217,000,000) five years later while sales of white pepper have also doubled with export revenues rising from £7,382,260 (RM38,854,000) to £14,440,000 (RM76,000,000) over the same five year time period. This is good news for Sarawak, which has built up a reputation as one of the finest suppliers of pepper (see chart 5).

However, export earnings from both pepper and rubber pale by comparison with the foreign exchange earned from export of crude and processed palm oil products as chart 4 graphically demonstrates. The recent sharp fall in the price of oil to below $50 a barrel (see chart 4) will exert a considerable impact on the Malaysian economy as a significant share of its export earnings are reliant on oil and gas, albeit less so than Nigeria, another major Commonwealth country rich in hydrocarbon resources. The impact of the collapse in oil prices is reflected in the ringett exchange rate against the dollar. Whereas in late August 2014 the US dollar bought 3.15 ringetts, six months later at the end of February 2015 the dollar was worth 3.63 ringetts. Consequently, the ringett does not buy so many imported goods and one may well see a switch towards import substitution.

Commonwealth nations which do not have significant oil reserves, such as Zambia, will benefit from plummeting oil prices since their balance of payments will significantly improve and economic growth should be spurred as a result.

Revenues from oil palm and its derivative products recorded a growth of over 80 per cent in the three year period 2009 and 2011, mainly attributable to an increase in the land devoted to this fast growing and profitable crop. However, the last few years has seen in a noticeable slowdown in this trend with total revenues sliding from £1,572,163,360 (RM 8,274,544,000) in 2011 to £1,395,750,260 (RM 7,346,054,000) in 2013 (provisional estimate) even though total production of crude palm oil has increased from 2,696,2 thousand tonnes to 3,110.3 thousand tonnes over the corresponding period.

Sarawak's economy remains concentrated in the resource sector, which accounts for about half of its GDP.[19] Any major shocks to global commodity markets, either positive or negative in character, are bound to have a strong influence on future economic growth. To counter such potential shocks, Sarawak strengthened its financial standing after a successful large bond issuance on the capital markets in 2011-2012, and it has channelled this capital into more value added economic activities.

Sarawak is currently focusing on ten priority industries to bolster economic growth. (See table 4 – left)

As is readily apparent, these sectors are mainly resource based and energy intensive industries (hence, the investment in power generating capacity). However, Sarawak is seeking to develop more value added elements so that it does not have to rely on basic exports of commodities. This goal underpins the investments in aluminium-smelting, glass manufacture and steel production. All three industrial processes consume considerable amounts of power so Sarawak has been seeking to build up its power generation and supply capacity. As can be seen from Table 4 the ten key sectors are headed by the lucrative hydrocarbon-based industries such as refining. Bintulu is home to an expanding

Table 4: Sarawak's Ten Priority Industries

	Sector
1	oil & gas production and refining
2	Steel
3	Glass
4	Aluminium
5	engineering including marine engineering
6	tourism (hotels , catering & leisure pursuits)
7	agriculture: principally oil palm
8	agriculture: livestock & animal husbandry
9	fishing & aquaculture
10	timber logging and processing

Source: Sarawak Facts & Figures 2013, Sarawak State Planning Unit petro-chemical sector and it is also the location of a major LNG facility. As highlighted above, steel, glass and aluminium are the other main manufacturing sectors along with marine engineering where Sarawak policy makers clearly have an eye to servicing the oil and container freight which plies in and out of the state's rapidly expanding port and harbour facilities.

The other key priority industries are tourism, which incorporates hotels, lodges and leisure facilities; agriculture; timber logging and processing. Judging by the economic data tourism appears not to have fulfilled its potential in recent years – there is still considerable scope to develop the industry. Over three fifths of visitors come from elsewhere in Malaysia; far less than one per cent travel from either the US, UK, Western Europe or Australia and New Zealand. Given the state's wealth of wildlife, environmental and landscape attractions, there must surely be considerable scope for improvement? Meanwhile, Sarawak intends to continue developing its agricultural sector, which provides a substantial number of jobs to the ever expanding rural population; significantly, the new Chief Minister is curbing the extent of timber logging and processing while at the same time launching a concerted campaign to eradicate illegal logging.[20]

6 Environmental Concerns

Economic development in Sarawak, especially in rural areas, has attracted criticism from some high profile campaigning organisations who claim that considerable environmental damage has been inflicted by these initiatives aimed at boosing economic growth. Some of these campaigning organisations have been particularly vocal in their claims concerning accusations that native people's property rights have been flouted and that extensive areas of rainforest have been destroyed by loggers and oil palm plantation companies. As noted earlier, Global Witness, for example, has alleged that land deals approved by the government have been linked to corrupt practices and favouritism towards individuals who enjoyed close ties with senior figures in the administration. The same NGO,[21] has criticised the international bank HSBC for its alleged role in funding companies involved in the timber and agricultural plantation sectors in Sarawak. Clare Rewcastle-Brown, the co-founder of the London based Sarawak Report website, is a vocal campaigner with respect to the activities of the Sarawak state government. Indeed, she is one of the most prominent critics of the government and its leading political figures, notably the Governor and current Head of State, Abdul Taib Mahmud.

Over the last few decades there has clearly been an enduring problem with ensuring that illegal logging activity is curbed. This is a problem common to many developing tropical countries. In practice, even where there is legislation and regulation to deter illegal activity, the onus is on implementation and effective penalties. All too often, bribes and other forms of corruption mean that public officials and national park rangers are compromised.

Within the last year, and following the change of political leadership, the government of Sarawak has launched a major new drive to tackle corruption in the natural resources sector. The fact that it has done so in such a determined manner indicates that previously there were some persistent areas of concern.

In the past, Malaysia's own Federal Auditor has raised concerns about "weak monitoring and enforcement" coupled with "widespread infringements of licensing conditions" with respect to Sarawak's forestry sector, which were deemed "not satisfactory". The Malaysian Anti-Corruption Commission (MACC), established by the Federal legislature, estimates that the annual losses attributable to illegal logging has cost the government of Sarawak at least RM 100 million (£19 million). By way of combatting this menace, the MACC has launched a campaign aimed at tackling illegal activity. In October 2014, the MACC arrested ten individuals, including a district Criminal Investigation Department (CID) chief, and it has also frozen bank accounts belonging to ten timber companies suspected of rogue logging activity.[22]

The new government formed in early 2014 appears to be strongly committed to tackling environmental threats. Datuk Patinggi Tan Sri Adenan Satem, appointed Chief Minister in February 2014, expressed his candid opinion in December 2014 at the annual trade dinner for the timber and forestry industry, which he acknowledged contributes so much to GDP. "Sarawak forest is our treasure", he stressed. "Like all treasures, we should take great care and love our forest. That is why I do not want to see it decimated". He added, "We have started a war against illegal felling and smuggling of logs" and concluded by warning industry figures: "I mean what I said – don't mess with me."

In a move aimed at addressing any suggestion of favouritism the Chief Minister has signed an integrity pledge in which he committed not to award public contracts to his family members.[23]

The Chief Minister cites lack of expertise in handling state of the art monitoring technology as well as weak enforcement and corruption among forestry officers as crucial factors that need to be addressed in order to deter illegal logging. He highlights, for instance, that although Sarawak possesses one of the world's best detection systems to monitor logging activities, it has never been fully implemented. As a result, illegal logging has inflicted damage on the state's forest resources. "The state has one of the best detection systems but we never fully used it", acknowledged the Chief Minister in his address to the annual dinner of the Sarawak Forestry Corporation in December 2014. "We have access to satellite photos, topography and mapping system and yet we are still unable, at the touch of the button, to determine areas with licensed operators and those of illegal logging"[24]

Sarawak's premier caricatured this impasse by observing that, "It's like giving a radio to a monkey. We have the facility but we don't use it fully because we don't know how to use it." [25]

The new administration is launching a determined initiative to crack down on bribery, strengthen enforcement and weed out corrupt Forestry Department officials. Enforcement action is being stepped up. In January 2015, the Forestry Department has announced that the total seizure of illegal logs increased by 634 per cent in 2014 compared to the previous year. A total of 82,326.7935 cubic metres of logs were confiscated with a value estimated at RM41.15 million. This figure – approximately £7.82 million – underlines the relatively modest level of seizures recorded in previous years.

In September 2014, it was announced that a squad of 50 Forestry Department enforcers would be armed with guns to combat illegal loggers and close unlicensed sawmills. This high profile campaign reflects the government's recognition that it needs to restore Sarawak's reputation at the international level; to ignore the problem would risk losing buyers for the sustainably grown timber it sells on a global basis. A further sign that the state government is serious about its tougher strategy on illegal logging is that it has stated it will work with appropriate non-governmental organisations (NGOs) towards achieving these goals. This initiative, however, has yet to be clearly defined.

It should also be noted that Sarawak complies with the International Tropical Timber Organization's recommendations on sustainable forest management which requires selective harvesting, regeneration of forest and the planting of new trees in a 25 year logging cycle.[26]

Conservation

A welcome note was sounded for the cause of conservation with the latest announcement that the state government is looking to create several more national parks to bring the overall total to over one million hectares and to reach a newly announced official target whereby ten per cent of the state's landmass territory is designated as either under the status of national park or wildlife sanctuaries, broken down as follows:

- 593,284 hectares of protected areas
- 25 national parks covering 385,056 hectares
- Eight nature reserves covering 1,767 hectares
- Five wildlife sanctuaries extending over 206,460 hectares

These statistics on the amount of land that has been set aside as national parks and conservation areas are worth comparing with critics' claims that "vast amounts of industrial logging have left only five per cent of forests that have not been either logged or converted to palm oil plantations"[27] and that Sarawak has lost more than 90 per cent of Sarawak's primary rainforest to logging".[28] This is a high hurdle when one considers that 'primary' is defined as never having been touched by human beings, yet communities living in Sarawak's rainforests have cut timber for generations. Official figures published by the Government's state Planning Unit[29] indicate that Sarawak continues to support 80 per cent forest cover, amounting to 9,879,338 hectares.

These disputes over the precise figures relating to rainforest cover are likely to continue but it may be worthwhile for all concerned if an independent and respected academic body was commissioned to adjudicate on the evidence.

Sarawak boasts a remarkable diversity of wildlife including the national emblem, the hornbill; langurs and macque monkeys; clouded leopards; crocodiles and one of the world's largest population of orang-utans. More than any other mammal in Sarawak, the orang-utan serves as a barometer for the success of conservation initiatives. Orang-utans have full protection under Sarawak law[30] and the latest estimates of their population suggest that numbers are stable, if not growing.[31]

What often tends to be ignored are the efforts made by public agencies and international non profit entities to conserve and maintain Sarawak's richly diverse wildlife. The government of Sarawak has adopted a 'Master Plan' for its remarkable wealth of wildlife, based on in situ conservation and species management. Provision is made for environmental education and scientific research programmes while public access is strictly limited in the most sensitive habitats – home to high profile species such as orang-utan, proboscis monkeys and hornbills.

Significantly, the World Wildlife Fund for Nature-Malaysia (WWF-Malaysia) has given its enthusiastic support to Sarawak's strengthened commitment to conservation of the environment and eco-habitat. Dato' Dr Dionysius Sharma, WWF-Malaysia CEO, is encouraged by the fact that the new Chief Minister has been very consistent in his message to all stakeholders concerning the issue since he took over political leadership and this testifies to his seriousness in wanting to improve Sarawak's reputation.[32]

WWF-Malaysia has applauded the government's initiative to oblige the six main logging firms operating in Sarawak, as well as the 15 forestry-related government agencies and companies, to sign up to what is known as the' Integrity Pledge', aimed at bolstering sustainability standards. In this context, the Government is focusing on stamping out illegal logging carried out by sub-contractors to the major timber companies in areas outside their licensed concession areas. Datuk Amar Awang Tengah Ali Hasan, a Minister for Environment and Resource Planning, has warned licensed loggers not to harvest timber outside the boundaries of their concessions since this would risk having their licences revoked. While the state of Sarawak's reinforced commitment to conservation and the preservation of its rainforests is to be welcomed, the onus is now on the government and its agencies and officials to fulfil the promises made in the last year.

Land rights

Native customary rights (NCR) land, collectively owned by indigenous groups, have been a source of perennial controversy ever since independence from the British colonial administration. NCR land, which was demarcated by the Brooke administration and subsequently registered by the British colonial power in the 1950s, is enshrined in the Sarawak Land Code and protected under the Malaysian Constitution.

In recent years there have been a number of legal actions taken by indigenous groups, often supported by campaigning NGO groups, where it was felt their property rights have been flouted. Media attention has focused on nomadic tribes, notably the Penan. While some Penan have resisted government led initiatives aimed at economic development, the majority of Penan have given up their traditional nomadic way of life and settled in the rural north of the state. It is estimated that the total population of Penan is only 10,000 while between 300 to 500 continue to live a nomadic way of life.[33]

The Economist magazine cites Colin Nicholas, a Malaysian academic specialising on indigenous land rights, as pointing out that "at least 200 such cases are now working their way through the courts in Sarawak".[34] The very fact that they are open to judicial scrutiny is an encouraging sign and in recent years local people have won their cases brought before the courts. In April 2014, for instance, a local group won its case against the state government of Sarawak. This was the tenth heard before the Court of Appeal on the issue of NCR land. Villagers from Ulu Baram won a ruling in their favour with respect to access to 1,600 hectares of NCR land in Tuyut, Ulu Baram. Stephen Chung, a High Court judge, ordered the case to go to a full trial. In another case heard in July 2014 NCR landholders in Igan won a case against Ta Ann Pelita, an oil palm plantation company which was seeking to develop this land under a provisional lease agreed with the state of Sarawak. The judge ruled that the

NCR land should be returned to the plaintiffs – the native landowners – as well as pay RM 40,000 in legal costs. In October 2012, Malaysia's Federal court ruled that the Penan who live in the Long Lamai region did have a right to legally claim land as theirs. Cases such as these suggest that the judicial system is defending NCR where a justified argument is presented.

Malaysia ranks 35th globally out of 99 nations analysed with respect to the integrity of their legal system by the respected World Justice project which concludes that 'corruption remain relatively low with Malaysia ranking third among income peers' while courts are judged to be efficient although 'relatively inaccessible and not entirely independent of government influence'.[35] In terms of absence of corruption in the legal system Malaysia scores relatively well with a 0.64 score out of a possible highest score of 1.0. This places it 28th out of 99 in the overall league table and ahead of Indonesia, Thailand and the Philippines in the regional ranking for East Asia & Pacific. The robust investigations undertaken by MACC are a reflection of its relatively strong anti-corruption laws and the country's international commitments as a signatory to the United Nations Convention Against Corruption. It is also encouraging to note that Malaysia ranks 50th in Transparency International's Corruption Perception Index[36] published in December 2014, appreciably better than neighbouring countries such as Indonesia, Thailand, Vietnam and the Philippines.

7 Overall assessment: Lessons to be drawn for the Commonwealth from Sarawak's experience

1. Sarawak has been able to achieve an impressive rate of economic growth in recent decades, tapping its hydrocarbon resources but also channelling investment into physical infrastructure and the agricultural and manufacturing sectors of its economy. The state of Sarawak is currently seeking to increase its share of oil revenues – which echoes similar initiatives in other oil rich nations with a federal structure such as Nigeria. While the price of oil per barrel looks as though it will remain at lower levels for the foreseeable future,[37] the sums of money involved remain substantial. Doubling oil royalties from the present level of five per cent to ten per cent would exert a pivotal influence on future infrastructure investment spending.

   When one takes into account Sarawak's substantial contribution to the federal budget and given the fact that it has by far the largest land area (124,450 square kilometres) within the Federation of Malaysia, a doubling of the royalty figure would probably be more appropriate, not only to retain good relations between the state and federal governments but also to fund a much needed and ambitious investment programme with respect to infrastructure development. Moreover, Sarawak is in a position to wield considerable political pressure in the federal legislature so the odds, so to speak, are in its favour. Sarawak's state government continues to negotiate for a higher royalty share of 20 per cent. In June 2015 the Chief Minister, Tan Sri Adenan Satem, confirmed that his administration was seeking to agree a bigger slice of revenues but he indicated that any final agreement may not be reached before the end of 2015.[38]

2. A key element in the successful development of commercial agriculture has been the construction and maintenance of roads, bridges and port facilities along with a rapid development of air services. This contrasts with the erratic development of physical infrastructure that the author has personally seen in many Sub Saharan African countries, notably Nigeria, Gabon and Togo.

3. Funding for this major infrastructure programme has come from oil and gas revenues and this should clearly be a priority for Commonwealth countries that have recently discovered hydrocarbon reserves, e.g. Ghana and Mozambique. Sarawak is aware of the continual need to diversity economic activity and to focus on value added agricultural products, manufacturing and services, drawing on the skills of it young workforce – all educated to a secondary level and many to a tertiary level. The need for other Commonwealth countries to diversity their economy is exemplified by the fact that Ghana's cedi currency fell by 31 per cent in 2014 – reflecting the collapse in its key export commodities oil, gold and cocoa. Perversely, the need to invest in oil and gas infrastructure has added to Ghana's import bill.[39]

4. Plummeting oil prices enable governments to trim or indeed remove inefficient and distorting fuel subsidies. The Federal Malaysian government has taken a lead in this respect, having abolished decades-old subsidies for gasoline and diesel that were costing billions and contributed to the country's fiscal deficit of 3.8 per cent of GDP in 2013. Other Commonwealth countries could follow Malaysia's lead – in what appears to be a new era of lower oil prices – and channel the savings into much needed infrastructure investment, notably transport and power generation. In this context, it is encouraging to see that Nigeria plans to halve subsidies on oil products in 2015 from 971 billion naira to 459 billion naira.[40] (The naira's exchange rate has dropped from 260 to the £ in September 2014 to 313 naira to the £ on 1 March 2015)

5. Concentrating on agriculture, it is significant to see the way in which farmers, supported by government advisors and specialists, experimented with a range of cash crops as well as different forms of livestock husbandry. Having tried a number of crops such as cocoa, coffee and tea, Sarawak has focused on oil palm plantations as the most profitable crop because they achieve the highest yield in terms of investment per hectare, in the process minimising the impact on the country's rich and diverse rainforest resources since other crops would require more land.

6. Sarawak has spurred economic development and employment opportunities through funding local people in rural areas to harvest a variety of cash crops, principally rubber, pepper and oil palm. The most successful of these initiatives has proved to be commercial large scale oil palm plantations and refining centres.

7. This experience is particularly relevant to many Commonwealth countries, most notably in Sub Saharan Africa where agriculture remains the dominant employer. Across the region as a whole it employs more than 200 million, albeit the large scale plantation model adopted in Malaysia is much less in evidence. Small scale subsistence agriculture is dominant, particularly in respect of oil palm.[41]

8. Clearly, small scale subsistence agriculture on its own cannot meet the demand for food from a rapidly rising population. Professor Sir Paul Collier of Oxford University and the author of the best seller, *The Bottom Billion*, observes that "the continent should have major competence for food exports but instead it is nowhere near meeting its food needs".[42] In terms of food exports, Sub Saharan Africa struggles to make a mark: the region supplies only 4.3 per cent of the eight most traded staple crops. With modest earnings from exports and a rising and unsustainable food imports bill the consequences for those who cannot afford imported foodstuffs are dire: malnourishment prevails.

9. The Sarawak experience highlights that unless new, more commercial forms of agriculture are embraced the problem of food scarcity will only grow worse, not least because an increasing proportion of the population are migrating to urban centres. With more people living in towns, unable to grow their own food, the pressure on rural smallholders will be even greater. And much of Africa's population has yet to achieve adulthood. As Sir Bob Geldof often remarks, Africa is the 'teenage continent'.[43] It is an apt characterisation since over 60 per cent of the continent's population is aged under 25, and an average African's age is that of a teenager. This is just as true in a Commonwealth context. As a result, there are more and more hungry mouths to feed, but unless there is a major rethink of the agricultural sector, we are likely to witness food insecurity which could lead to possible riots as seen in Liberia in the early 1980s, which then signalled decades of civil strife, and, more recently, Mozambique in September 2010 when riots followed a government announcement that the minimum price of bread would be allowed to rise by 30 per cent.

10. If such alarming scenarios are to be averted in future, governments must focus on encouraging the private sector to adopt improved agricultural practices. Policy makers in central and local government can do so by encouraging farmers in developing countries to employ appropriate techniques and technologies to feed their own citizens and, if possible, export crops and foodstuffs worldwide, thereby generating valuable foreign exchange earnings.

/Recommendation based on Sarawak's development model/

I. Revenue from exports of hydrocarbons, minerals and agricultural commodities need to be channelled into developing a country's physical and social infrastructure base. In the case of Sarawak, an estimated 70 per cent of its annual expenditure is directed towards development initiatives and the government has been careful to ensure its ability to service debt.

II. A number of Commonwealth nations in Africa have successfully tapped global capital markets in the last year or more, however, it is important that they follow Sarawak's example in being able to maintain liquidity and service debt obligations.

III. Policy makers should aim to maintain political stability in the interests of fostering direct foreign investment and investment from locally based entrepreneurs.

IV. It is important for the government to maintain the rule of law and protect property rights, including the native customary rights of indigenous people. This requires a sound, independent judicial system that is able to effectively resolve disputes on land rights.

V. In order to meet the demand from a growing population for a reasonable and more varied diet, countries need to encourage investment in commercial scale agricultural projects. Plantation scale initiatives are the only effective means of meeting demand but this can be developed in co-operation with local smallholders, sharing joint processing and marketing, thereby benefitting all parties.

VI. Income generated from agricultural initiatives, such as oil palm, rubber and bamboo cultivation, can be ploughed back into poverty reduction programmes and development assistance for rural areas.

COMMONWEALTH EXCHANGE

/Endnotes/

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[15] L Suet Fun, 2013, *Raising Land; The Way of Land and Life in Sarawak*, Beagle Books, p183

[16] Prof DJ Murphy, 2014, *The Future of Oil Palm as a Major Global Crop: Opportunities and Challenges', Journal of Oil Palm Research*, vol. 26 (1), March 2014, p 18 - Graphic 3 Regional Palm Oil Yields chart, data collected by the Malaysian Palm Oil Board

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[25] ibid.

[26] The ITTO is responsible for funding the Lanjak Entimau Wildlife Sanctuary, originally designated in 1992, which is now home to over 4000 orang-utans. This wildlife sanctuary has also sought to improve the livelihood of the rural population and, in the process, reduce their reliance on forest timber and wildlife and game

[27] I Burrell, 2013, Ben Fogle accused of fronting propaganda ignoring Sarawak 'environmental destruction and exploitation, The Independent, www.independent.co.uk/news/uk/home-news/ben-fogle-accused-of-fronting-propaganda-ignoring-sarawak-environmental-destruction-and-exploitation-8552339.html, Thursday 28th March 2013

[28] J Delingpole, 2013, *Why you shouldn't believe the green attacks on Ben Fogle*, *The Spectator*, http://www.spectator.co.uk/columnists/james-delingpole/8927601/why-you-shouldnt-believe-the-green-attacks-on-ben-fogle/ 8 June 2013.

[29] Sarawak Facts and Figures, 2013, State Planning Unit, Chief Minister's Department, see p 11 'Sarawak land use classification, 2013'

[30] Orang-utans are listed as totally protected animals under section 29 (1) of the Wildlife Protection Ordinance 1998 with those found guilty liable for imprisonment for two years and a fine of RM 30,000,00

[31] Author's discussions with primatologists including Oswald Braken Tisen, Protected Areas and Biodiversity Conservation Division Sarawak Forestry, on his research trip to Sarawak in April 2014

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[32] *WWF – Malaysia applauds integrity pledge*, 2014, Borneo Post, www.theborneopost.com/2014/11/24/wwf-malaysia-applauds-integrity-pledge/, November 24th 2014

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[35] The World Justice Project, Rule of Law Index 2014, worldjusticeproject.org/sites/default/files/files/wjp_rule_of_law_index_2014_report.pdf

[36] Transparency International, 2014, *Corruption transparency Index*: http://www.transparency.org/cpi2014/results

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[41] For further details on the opportunities and challenges facing plantation agriculture in Africa see the author's essay '*Averting a Global Food Crisis*', published in the *Journal of World Economics*, vol 14, no 1, Jan – Mar 2013, p11 – 34

[42] Interview with Professor Sir Paul Collier: *Making FDI work for Sub Saharan Africa: lessons from Liberia*, Oxford Economics, Final Report, April 2014, p23.

[43] *Bob Geldof: Gleneagles G8 Summit was a triumph for Africa –and Tony Blair*', The Guardian, *http://www.theguardian.com/global-development/2013/mar/02/bob-geldof-africa-tony-blair,* 2 March 2013; Bob Geldof also emphasised that *"half of the continent's billion strong population was aged below 17"*, in his address to the CEO Summit Africa conference which the author was invited to attend on 30 April 2013 in London, reported in *The Times*, 'Geldof rages at hypocrisy of 'toxic talk', *http://www.thetimes.co.uk/tto/business/ceo-summit-africa/article3753293.ece*, 1 May 2013.

"Keith Boyfield's fine paper summarizes extremely well the Sarawak experience and the lessons to be drawn from it. It stresses the need to curb illicit timber extraction, to tackle corruption, to guarantee integrity of the legal system, to ensure that benefits are fairly distributed.

Dr Erik Jensen
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Sarawak is, like any country, unique, but the challenges faced following independence, the scope generated by exploitation of fossil fuels, the introduction of commercial scale crops, problems of corruption, land rights and labour, are all familiar elsewhere. Commonwealth states in Africa and the Caribbean may find relevant the Sarawak experience."

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