A CALL OF THE VILLAGES:

IMPACTS OF PLANTATION DEVELOPMENT ON NATIVE CUSTOMARY RIGHTS (NCR) LANDS BY SALCRA IN SKIBANG, BOGAG AND SERASOT, SARAWAK

(Between Promises and Realities)

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(Development Planning)
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By

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To the late Gara ak Sumping, Tinggang ak Anal and Banyie ak Kachung; Empek ak Duat and Chabu ak Wan, for their initiative, courage and determination in establishing the Sungai Klampai School in 1940s, and all the people of Sungai Klampai, Sabetan, especially those who helped to build the school, where I had my early primary school education in the 1960s. I am greatly indebted to all of them.
Development of Native Customary Rights Land (NCR) in Rural Native Communities:
*Between Promises and Reality*

Abstract

Successful rural development, of which land development was an important aspect, was extremely vital for the progress of rural communities in Sarawak, especially the Dayaks. This study revisited communities affected by land developed into oil plantations under a state development agency in the early 1990s. Participating native landowners from three largest villages in Jagoi area of Bau district were sampled to provide responses to a set of questions focused on various attributes of community development. These included employment opportunities, improved income and higher standard of living, regular dividend payments, secured ownership of the NCR lands with official titles, opportunities for contract works in plantation related activities including transportation, supply and maintenance jobs, and spillover effects such as the establishment of formal and informal trading activities. The results indicated that there was no proper mechanism for the people in Serasot, Bogag and Skibang to participate meaningfully in the decision-making and managing of the oil palm schemes in their areas. It was clear that the experience of the participating landowners were very different from what were projected to them at the onset of the project development. A lot of the "promises" that were made had not been fulfilled. The participating communities were also somewhat disappointed, and they felt they had been misled to believe that their investments were sound. They were also concerned that government policies on land development were not fair for the native landowners. In their opinions, the state agency (implementing agency) had also failed to run the business efficiently and was thus unable to realize their stated objectives to provide job opportunities, good incomes and elevated standard of living, surveying and issuing out of land titles for NCR lands, protection of the environment, and delivery of the other related social benefits.
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CALL OF THE VILLAGES:

IMPACTS OF PLANTATION DEVELOPMENT ON NATIVE CUSTOMARY RIGHTS (NCR) LANDS BY SALCRA IN SKIBANG, BOGAG AND SERASOT, SARAWAK

(BETWEEN PROMISES AND REALITIES)
CHAPTER 1
INTRODUCTION

1.1 Introduction

Developing countries invariably strive to improve their economic performance and Malaysia, as one of these nation-states, is no exception. Decades of pursuing growth through various policies such as the Vision 2020, which began under the Mahathir Government, to the Outline Perspective Plans (OPPs) and the various Five Year Plans have realigned Malaysia’s policy priorities and placed the twin objectives of industrialization and the knowledge-based society as the principal determinants of the country’s economic policy. Malaysia has made tremendous progress towards its objective of being a developed society by 2020 and now, some nine years before the presumptive deadline; it has reached the level of an advanced emerging market. The developed nation status is still achievable.

In this situation, agriculture appears to take a second place in terms of the national priority. It may be that in terms of the allocation of national resources, the sector was not as predominant as it had been in the decades of the 1960s and 1970s, but agriculture still remains as a very important part of the national economy and vast amount of the nation’s resources are still devoted to its development. Although overtaken in relative terms by manufacturing and services industries, agricultural products which range from palm oil to rubber and pepper are still important components of the country’s foreign exchange.

In no other areas is agriculture more important that Sabah and Sarawak. In a region renowned for its resources, and where the level of industrialization is still relatively low, agriculture still predominate in terms of production and employment. Here, traditionally employment and resource allocations have been committed to smallholdings, which is the sector where natives predominate as they have done for ages. In the pasts four decades, however, a new arrival and a new approach to agricultural cultivation has reached the shores of Sabah and Sarawak, this is commercial plantation, and it represents a
modernizing and commercial approach to agriculture which has the imprimatur of both the federal and state governments.

Its introduction has no doubt resulted in a more efficient process at agricultural work. And over the years there has been a steady increase in the number of government linked companies charged with land development using the plantation method. But as they competes for land resources that are not as plentiful as before, as some natives and government-sanctioned associations heap praise others prefer to cast vicious criticisms and cry foul over the way they have operated. In this situation of controversy observers have come to ask what the "true" picture is regarding Sarawak Land Consolidation and Rehabilitation Agency (SALCRA).

Although our concern here is not with the public debate, we pose the question as to whether or not plantations have been beneficial for the participants. Our study here is focused one particular government-linked agency called the Sarawak Land Consolidation and Rehabilitation Agency (SALCRA) whose detail it has been (given by the Government) to develop Sarawak’s Native Customary Rights (NCR) Land. SALCRA has operated in several areas that range from Mukah in central Sarawak right down to Lundu in the southernmost tip of Sarawak. We are, however, interested only on one particular SALCRA scheme and this is the Skibang-Bogak-Serasot scheme. The single question that this paper asks is what are the socio-economic impacts of SALCRA on these three villages?

The purpose of this chapter is two-fold. First, it is an introductory section for the thesis and its purpose is to state the “problem” to be analyzed. In this it is divided into six parts. The first part focuses on the Malaysian nation-state and the primacy of commercial agricultural policy. From the time the country gained independence, there was a national and state levels bias in favor of the so called modern and efficient agriculture whose products are suitable for international trade. The second part examines plantations in Sarawak. The third introduces the problem as seen from the point of academic research. In this case, the problem is how to analyze the impact of SALCRA. Of the many
impacts, we have taken the issue of socio-economic activities and environmental changes as the area suitable for in-depth studies. The fourth part states the actual objectives of the study and in this case it is to examine the various data concerning the participants and to analyze how and why various factors impacted on their socio-economic activities. The last part shall discuss the significance of the study from the point of academic research.

1.2 Primacy of Agriculture in early Malaysia

In the years leading to independence and for a few decades of its existence as a sovereign state, Malaya, and after 1963 Malaysia, was primarily an agricultural country and the livelihoods of the majority of its population were directly or indirectly connected with this sector. By 1970, with the New Economic Policy (NEP) in force, the Government had come to see a need for a more interventionist approach. It saw its agriculture policy as a way to make a direct impact on the welfare of the population, specifically on the rural poor. The Government's agricultural policy, including the push for the establishment of plantation industries in rubber and oil palm through federal agencies became a means to provide employment and to reduce poverty.

This agricultural pursuit had a dual character, one that had developed in the days before independence. And this is the fact that while the natives were primarily small-holders, the British administration had encouraged the commercial planting of rubber and later, oil palm, for export and foreign exchange purposes. Famous corporate names such as Dunlop Plantations, Guthrie Plantations and Harrisons and Crossfields all made their mark in the rubber industries during pioneering years in the first half of the last century. As for manpower development, when there was a shortage of workers and the authorities had brought over Indians to work in the plantation (Azmi, undated).

The colonial authorities did not actively encourage the native Malays to have rubber plantations, although there was some interest at that time amongst the small-holders to plant rubber. In the absence of substantial official encouragement the indigenous population had remained in the realm of subsistence agriculture where their production is
largely for domestic consumption and rarely for the export market. In due course this economic duality which identified subsistence agriculture with the natives and the robust export side with the big companies owned by Europeans (and later mainly the Chinese) became structural and institutionalized (ibid).

One study when discussing the economic development of that time said that;

"Malaysia's economy was mainly dependent on tin and rubber. These two commodities accounted for more than 50 percent of the Gross Domestic Product (GDP) during that period. More than three quarters (70%) of the rural population engaged in agricultural activities while the other 30% came from major commodities such as rubber, palm oil, coconut, and cocoa. The high incidences of poverty during this period amounting to 60% of the population were from rural areas whereby the majority came from the agricultural sector" (CIRDAP, 2009; Simeh and Ahmad, 2001).

Given the vital role of the sector, it was not a surprise that at that time the government of Malaysia had a pronounced commitment to agricultural development. The role was vital not only economic but also for political purpose as well. First the economic dimension: it was recognized by the Government that in order to improve Malaysia’s economic health and its foreign exchange gap they had to achieve a couple of targets. One was to increase the country’s agricultural export. The other was to shed the over-reliance on agriculture and to diversify the economy. In short, agriculture had remained a matter of high priority in the young country even though the government had also recognized the need to expand the narrow base of the economy and to diversify into other economic activities such as manufacturing in order to generate growth.

The other motive for the continued predominance of agriculture was political in nature: the country’s principal Malay party, the United Malaya National Organization (UMNO), which dominates the Alliance and then its successor, the Barisan Nasional coalition, is dependent for its support on the predominantly rural-based Malay population and it is this category that dominates the smallholder agriculture. It has been essential for the
government to channel resources to this sector to maintain the allegiance of the Malay voters to UMNO (Vokes, 1990).

If political consideration had resulted in keeping agriculture an important part of the national growth strategy, it was also the government’s resolve to improve on it for small-holder output, after all, is not a really efficient means of production as it does not readily coalesce into a unit suitable to benefit from economies of scale. That is to say, small holder agriculture does not readily result in the sort of volume of agricultural products essential for a significant increase in export.

1.2.1 Tweaking the Federal Agriculture Policy: Commercial theme and Intervention.

Yet, because of the number of citizens, particularly natives, who find themselves eking a living in agriculture, including in the small holder sector, it was imperative for the Government assisting in a major way. For that objective to be achieved the Government tweaked the policy on agriculture, while small-holders had remained, the government strategy was to increase its export potential by greatly encouraging commercial agriculture. The beneficiaries of this national policy were those who had participated in the cultivation of rubber and oil palm.

The government of Tunku Abdul Rahman, the Prime Minister of Malaya and after 1963 the first Prime Minister of Malaysia, had adopted a lassies-faire approach to the private sector and encouraged expert participation from all ethnic groupings of Malaysia and even foreign-planters (primarily British) to work the land. It was from this multi-cultural involvement that “… the debut of the Malaysian “golden-crop” that was to change not only the landscape of Malaysian agriculture and the Malaysian economy but also the lives of millions of its population” (ibid). And since that time of the early 1960s agriculture had not only remained an important sector in the economy but through Government intervention commercial or plantation agriculture had taken root in a major way.
Successive governments have refined the approach taken by the first prime minister on fostering commercialism in agriculture and its importance had endured through the various five year plans and mid-terms reviews. According to the Economic Planning Unit (EPU), development planning in Malaysia began in 1950 with the publication of the Draft Development Plan of Malaya. To date, 23 developments planning documents have been prepared. Of these, two were 10-year outline prospective plans; 11 were five-year development plans (this includes the Draft Development Plan of Malaya, which was for six-year duration); and 10 were mid-term reviews (The SUNDAY STAR, August 1, 2005). The national policy in favour agricultural commercialism is also evident in a number of Federal policies and together they have a significant role in determining the direction and emphasis through which the country implements its policies.

The importance of agriculture persisted into the days of independence. For instance, in the First Malaya Plan (1956 -1960) a total of RM478.2 million or 47.6% of the total allocation for public expenditure was for agriculture and rural development. The firm commitment to agriculture could be found in the Second Malaya Plan (1961 -1965) and the First Malaysia Plan (1966-1970) (Azmi, undated: 3).

1.2.2 The New Economic Policy (NEP, 1970-1990) and the Roots of Commercial developmental Interventionalism.

When the New Economic Policy was formulated in 1970, agriculture growth and development was considered critical as a means of eradicating poverty and as a way to balance equity holdings in the country. The result of this outlook was that the succeeding three Malaysia Plans (from 1971 to 1985, all saw a pronounced emphasis on agriculture growth and had remained as an important sector for employment. In 1980, for instance, the agriculture sector was employing 42% of the country's population.

The notion of growth or "developmentalism", which was the guiding principle of the country's elites, and incidentally, a source from which plantation agriculture derived its
legitimacy, was further reinforced in Malaysia in the 1970s. In the month following the harrowing experience of May racial riots which itself followed the 1969 election, the government of Malaysia was searching for ways to regain stability and, an equally important objective, to stimulate growth. To work towards these objectives it had developed a new development strategy and these were contained in a paper presented under auspices of the country’s Department of National Unity (DNU) (Faaland et.al, 2003). It had drawn the following documents:

(i) Policies for Growth with Racial Balance;

(ii) Racial Disparity and Economic Development;

(iii) The New Economic Policy (NEP) and Employment, Production and;

(iv) Racial Economic Balance Target for the Second Malaysia Plan (SMP)

The first document became a reference of the country’s leaders and the planner, and the third was so influential that it was actually the guideline for the Second Malaysia Plan (SMP) 1971-1975. The fourth document was operational in nature and pointed out, how the policies to be implemented so as to be in line with NEP objectives.

More importantly from studies conducted on plantation, the EPU legitimized land reform and development the consequence of which saw enhanced roles by then Federal Land Development Authority (FELDA), Federal Land Consolidation and Rehabilitation Authority (FELCRA) and RISDA, which had sought to overcome the problems faced by rubber smallholdings by organizing them into clusters so that the operators could benefit from more efficient methods. Thus, under the agricultural policy, even the smallholders also received attention.

However, it was the better organized and more profitable plantation sectors which were able to flourish. With the centre having embraced the high modernism of commercialism and estate agriculture, it was only a matter of time before the paradigm shift permeates to the provinces or states.
1.2.3 Impact of Agriculture Policy on Poverty and presumed implication for rural Sarawak

For two decades after the formation of Malaysia, particularly after the adoption of the New Economic Policy in 1970, the young nation was unremitting in its commitment to a strong and active agriculture policy, particularly in its support for the plantation sector. Up to 1980, the agricultural output had expanded at an annual rate of 5.8% and the gross agricultural export rose to RM9 billion. This growth was mainly responsible for the increase in average income by 2.8% per year. In 1980 this sector was employing 42% of the work-force. The results of the effort collectively made by federal agencies such as FELDA, FELCRA and RISDA and other programmes in agriculture reduced poverty significantly. In 1970 a full 58.7% of households were poor. By 1984 the percentage was only 24.7%. In absolute terms it was a reduction from 706,000 households to 402,000 (Azmi, undated: 4).

The Malaysian government is an active player that acts to shore the position of the country in respect of its agricultural products such as palm oil. Malaysia is the largest palm oil producer in the world and in a move clearly aimed at consolidating its position, the government fund manager; Permodalan Nasional Bhd. (PNB) initiated a move to consolidate the country's three largest oil palm producers, and their subsidiaries, to merge. These companies are Kumpulan Guthrie Bhd., Sime Darby Bhd. and Golden Hope Plantations Bhd. and merged under the name of Synergy Drive and became the world's largest bio-fuel company as well as the single largest publicly-traded palm oil entity. These three companies which have 525,872 hectares under cultivation in Malaysia and Indonesia, was responsible for the production of over 1.91 million metric tons of crude palm oil per year, which is about 13 percent of Malaysia's overall annual production. Between them they generate annual revenue of 7.34 billion ringgits and an annual operating profit of around 900 million Ringgits (International Herald Tribune, November 23, 2006). In terms of size, plantations areas in Malaysia increased from 150,000 hectares in the 1970s to some 2.0 million hectares in 1990. That figure had
ballooned to 2.6 million hectares by 1997 went up to 3 million hectares by the next year (Hardter et al., 1997; Jalani, 1998).

The Government meanwhile had not neglected the interests of the smallholders. But clearly, in terms of income generation, smallholdings in Malaysia are not seen as a very productive method of doing agriculture. The approach faces a number of challenges, the main of which is inefficiencies as the result of "structural defects such as land fragmentation, labour shortage and increasing cost of inputs" (ibid). Consequently, in terms of yield and profitability generated by the method, smallholdings are seen to continue to lag behind plantations. Faridah Ahmad (2001), noted the steps taken by the Government to assist the small holders.

"In Malaysia, although smallholders' contribution in agriculture sector is significant, they constitute the bulk of low income groups in the country. The suffer the most due to uneconomic land size, price decline in commodities like rubber, cocoa and oil palm, and rising production cost and persistent low productivity and income. Since the last two decades, steps have been undertaken by Malaysian Rubber Board, Malaysian Palm Oil Board (MPOB), Federal Land Development Authority (FELDA), Farmers Organizations and Department of Agriculture (DOA), Forestry Department and Department of Veterinary Services to maximize the use of rubber, oil palm, cocoa, and coconut lands by introducing mixed farming on existing land in an effort to increase land productivity and income of farmers".

1.2.4 Development Interventionism comes to Sarawak: the Pre-SALCRA phase.

Under the Malaysian Federal System of government, Sarawak retains its autonomy over land matters. This jurisdiction over land merely underlined a glaring weakness in the state expertise when it came to land development and poverty eradication. In the early years of independence the state was run by "inexperienced political leaders and indigenous government officials" (Cramb, 1993:295). Due to the inexperienced people running the
newly independent state, there were not many changes in term of policies and programs of the previous colonial period.

In this sort of atmosphere where there was a (mix of) lack of expertise, experience and funding, the state authorities had to refer to the federal government, with its commitment to the policy of Commercial developmentalism. This was translated to mean the view that plantations would perform much better than smallholder. Plantation approach was more efficient, had higher returns for investments, easier to organize and monitor and export oriented when compared with the disparate groups of smallholders which have really been the preserve of peasant farmers and their inward looking economy. With the federal authorities committed to the approach of growth and development of the plantation sector, it was inevitable that the approach would be introduced to Sarawak. This conviction, coupled with other matters, gave impetus to the establishment of plantation in Sarawak.

The pioneer post-independence development of plantation began in the 1964 under the Ningkan Government when the country was in the throes of a low intensity war against Indonesia during the period known as “Confrontation.” At that time security matters were the dominant consideration and in the case peoples from the border areas of Batang Ai, it called for them to be moved to Skang and Melugu many miles away from danger and astriding a highway. The area where they were resettled was also designated for plantation purposes.

To accelerate the pace of development in rural areas, the state government promoted the development of large-scale agriculture scheme. It first began in 1964 with what was called Rubber Planting Scheme B (Ave and King, 1986:69). With a total of 1,175 households under the plan, the scheme eventually involved seven separate areas namely Triboh, Melugu, Skrang, Meradong, Sebentik, Lambir and Lubai Tengah. It was modeled on Federal Land Development Authority (FELDA) of west Malaysia. “By 1970 there were five completed rubber schemes with a total area of about 5,500 hectare, accommodating about 6,400 people (King, 1990:173). These Government sponsored
land schemes involved resettling native shifting cultivators with each household was given ten acres of land planted with high-yielding rubber trees. Houses and community facilities were provided for by the Sarawak Development Finance Corporation (SDFC).

While the SFDC, and later the Sarawak Land Development Board (SLDB), were developing its allocated tracts of land, the Department of Agriculture in 1967 initiated its own plantation plan for the Lambir-Subis area which covered over 22,000 hectares. The implementation was handed over to the Sarawak Oil Palms Sdn. Bhd. (SOP), and the SFDC to undertake. By 1969 it had already began work and had succeeded in planting several hundred hectares with oil palm. In a development that was to signal a recurrent issue regarding plantation development in Sarawak, the undertaking experienced labour shortage and to help solve it the management took in foreign workers. The majority of workers engaged by the SOP were Indonesians.

It was not until the 1970s that plantation development really began in a major way, however. The reasons for this increase in interest in this approach at the time were because both levels of governments had come to believe that plantation development was an effective way to reduce poverty and raise the income of the rural peoples. The Federal government had completed its draft of the New Economic Policy in which commercial agriculture through plantation development was seen as a sure way to reduce poverty. In Sarawak, meanwhile, there was a change in political leadership, a turn of event which greatly made the implementation of plantation development a matter of high priority.

In early 1970s there was a change of state government under a new leadership of Abdul Rahman Yakub. With strong support from the federal government in Kuala Lumpur, The new state government possessed a rather more coherent set of ideas as to the policies it wished to implement and demonstrated its sense of direction in the implementation of those policies (Liegh, 1974). With the strong support from the Federal Government in Kuala Lumpur, the 1970s marked the beginning of rapid exploitation of vast timber and the introduction of large-scale land development programs in Sarawak. "The politics in
Sarawak is all about controlling the “land, timber and minerals. A consequence of the quest to gain power is the accretion of wealth from natural resources” (ibid).

1.2.5 Policy changes: from Development Intervention to Privatization

In 1972, the Sarawak Land Development Board (SLDB) was established by the state government to spearhead the oil palm plantation, “primarily in Forest Reserves that had been designated for conversion to agriculture” (Zainie, 1986). No native customary rights land was expropriated for development by the SLDB. Its first estates were in the Miri area and when that was sufficiently developed, it started to spread to the Mukah district. It was also given additional work specification by the government. This time it was also given an additional task to manage the seven rubber planting Scheme B, which was established in 1960s which were deemed abandoned.

However, the involvement of SLDB was fraught with problems one of which seems to suggest mismanagement when its finances virtually hemorrhaged. A chastened state government, which just had a new Chief Minister, made a bold decision in 1981 when it asked the SLDB to withdraw from any further involvement in rubber and oil palm schemes. The State’s involvement in large-scale plantation through SLDB was thus seen as a failure. The financial losses were between RM180-200 million, and SLDB was asked to close its plantation operations. It was reported that the main reasons for SLDB’s failure were due to poor management and “rampant corruption, benefiting individuals with close links to the government” (Cramb, 1993:295; Hong, 1987:64).

The management of SLDB was taken over by Sime Darby, a commercial plantation company from Peninsula Malaysia. It managed to increase production and improve its financial performance. In early 1990s SLDB was corporatized and in 2000 its assets were transferred to Sarawak Plantation Berhad (SPB), a public company set up to facilitate a management buy-out. .... by 2006 SPB had over 24,000ha under oil palm in 13 estates, the legacy acquired from SLDB. It was listed on the Kuala Lumpur Stock Exchange August 2007” (Cramb, 2009:23).