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STRUCTURAL TRANSFORMATION AND RURAL DEVELOPMENT IN SARAWAK, MALAYSIA, 1963-2006

Richard E. Schatz

ABSTRACT

The paper attempts to document the transformation of Sarawak as it moved over four decades from being an overwhelmingly rural, agricultural, low-income, poorly connected set of distinct ethnic communities to becoming a modern, largely urban, service and manufacturing-oriented middle-income economy. The dramatic shift of Sarawak's workers out of the villages and longhouses and associated agricultural occupations into the towns and cities of Sarawak and Malaysia is related to the rapid spread of secondary education and improved infrastructure in the towns and coastal areas. In the process, agriculture in the state changed dramatically. Virtually all smallholder agricultural sub-sectors stagnated or declined over the period, with the rural sector now dominated by oil palm plantations and forest resource extraction. Sarawak's structural transformation has led to a large influx of Indonesian agricultural workers, and the predominance of oil palm and timber extraction has created significant environmental challenges.

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INTRODUCTION

Development economists and economic historians have long recognized that structural transformation is a key element in the process of economic development. That transformation is best measured by the shift of labour from the agricultural sector to

manufacturing and service sectors. The earliest models of economic development, including those of Arthur Lewis and Walt Rostow had this labour force transition as central to the development process. International development agencies like the World Bank and the Asian Development Bank have committed substantial resources to that transition in the third world, but there remains general agreement that a successful economic transition will be accompanied by a continued growth of agricultural production, though generally at a lower rate than the overall growth rate of the economy (Chenery and Taylor, 1968; Hogendorn, 1996). The Malaysian Borneo state of Sarawak, offers an interesting case study in a dramatic economic transition over a relatively short period of about four decades.

This study focuses on the patterns of agriculture and rural development in Sarawak over the period from its independence from British colonial rule (in August 1963) and its simultaneous joining into the new country of Malaysia (originally a combination of Malaya, Singapore, Sarawak and Sabah). It will attempt to document the evolution of this geographically and economically independent state as it has undergone a rapid structural transformation of its economy. Sarawak has moved from being a state with an overwhelmingly rural, low-income, agricultural, poorly connected set of distinct ethnic communities to become a modern, largely urban, service and manufacturing oriented medium-income economy in the early 21st century. A key factor in this transformation was the rapid expansion of access to secondary education to rural and small town students throughout the state.

In the course of this study, I will evaluate the performance of the agricultural sector over this long period, including the performance of major sub-sectors as well as the shift of the labour force away from rural agriculture. Reasons why some sub-sectors grew rapidly and why others have stagnated or declined will be examined. Related to this is the evolution of the Sarawak labour force and the impact of education on occupational choice and the labour markets. Also key to the evolution of the agricultural sector is the increasingly important role being played by immigrant labour, mostly from Indonesia.