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**Title:** Patronage Politics and Natural Resources: A Historical Case Study of Malaysia and Singapore

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**Abstract:**

As the modernisation of agribusiness became a more important driver of development for many Southeast Asian states, the region's environment has become severely degraded. This paper argues that throughout the developmental history of Southeast Asia, the role of patronage politics has been a key factor behind environmental degradation. This paper focuses on Malaysia and Singapore as select case studies to show how political realities encourage patronage politics in the pursuit of development. It presents historical evidence concerning the circumstances preceding and surrounding early appearances of patronage networks in these countries, particularly within the natural resource sector. It argues that upon decolonization, the attitudes of the decision-making elite of these countries region shaped development to focus on elite-centred natural resource exploitation. With government structures, processes and policies often favouring the interests of big businesses, environmental exploitation has remained the major drivers of

growth in these countries. This paper is part two of a two-part series by the same author, the first part of which focused on Southeast Asia in general and Indonesia in particular, and appeared in the previous volume of this journal.

**PATRONAGE POLITICS AND NATURAL RESOURCES: A HISTORICAL CASE  
STUDY OF MALAYSIA AND SINGAPORE**

**1. Introduction**

Environmental degradation in Southeast Asia is a consequence of the region's changing political economy and modes of production. As the modernisation of agribusiness became a more important source of revenue and driver of development for many Southeast Asian states (McDowell 1989), the region has become depleted, dirtier, less ecologically diverse, and more environmentally vulnerable. This paper argues that throughout the developmental history of Southeast Asia, the role of domestic patronage politics appears to be a key factor behind forest degradation in the region. To understand the context within which conditions for patronage politics, especially in the forestry and natural resource sector developed in the region, it is important to explore the origins of the attitudes of the decision-making elite, and the states' structures and processes. This paper does this through a close analysis of the development trajectories of Malaysia and Singapore, to show how these political systems encouraged and supported patronage politics in the pursuit of development. It presents historical evidence concerning the circumstances preceding and surrounding early appearances of patronage

networks in Malaysia and Singapore society, particularly within the natural resource sector (Lande 1983). It offers a historical overview of how, upon decolonization, the attitudes of the decision-making elite in these countries shaped development to focus on elite-centred natural resource exploitation. This paper is part two of a two-part series by the same author, the first part of which applies the patronage argument to the development and degradation trajectory of Southeast Asia in general and Indonesia in particular, and appeared in the previous volume of this journal.

## **2. Natural resources and development in Malaysia**

In Malaysia, both during the colonial period and the decades following independence, the state's heavy reliance on its natural resources has been a salient feature of the economy, and environmental damage was viewed as an inevitable consequence of development. During the colonial period (up until 1957), mining and large scale rubber plantations were two major economic sectors. Large scale conversion of forested land took place for rubber plantations, especially during the rubber boom at the beginning of the 1900s, and for agriculture, increasing the area of arable land fivefold between 1990 and 1950 (Hezri and Hasan 2006). The planting of cash crops such as rubber and oil palm on vast swathes of land changed the Malaysian landscape forever, as lowland rainforests and other habitats have diminished to make land available for these economic crops (Raman 2006). With independence in 1957, Malaysia inherited an economy dependent on the export of natural resources especially minerals, rubber, palm oil and forestry products (Naguib and Smucker 2009).

Despite the implementation of policies like industrialization and import substitution, rubber and forestry products continued to play a dominant role in exports post-independence (Lim and Stern 2003; Naguib and Smucker 2009; Sumiani, Haslinda, and Lehman 2007). In the 1990s, with the depletion of timber resources due to the unsustainable logging rate and practices of the timber industry, Malaysia embarked on a massive plan to convert the logged-over lands with commercial plantations for oil palm, pulp and paper (Raman 2006). This land conversion has coincided with the rise of haze events around the region. Despite this important signal of environmental degradation, the continued exploitation of natural resources by powerful business interests is evidently continuing in these new sectors, further strengthening patronage networks (Hezri and Hasan 2006). This section traces the trajectory of natural resource development in Malaysia from timber to oil palm in the current day. It shows how strong patronage politics have permeated these natural resource sectors, bolstered and justified by ideological arguments by patron governments. The following subsection focuses on the implementation of the New Economic Policy (NEP) in Malaysia, which was instrumental in institutionalizing the patronage system within the Malaysian natural resource sector.

**a. Intensification and institutionalization of patronage politics (1969-1980s)**

Post-independence, the Malaysian natural resource sector was dominated by citizens of Chinese origin. Fueled by this racially imbalanced economy, bloody post-election riots broke out in the country in 1969. Abdul Razak, the Prime Minister at the time, was determined to integrate the Malay population into an economy that was dominated by the Chinese. The Malay-dominated government under the United Malays National Organization (UMNO) then instituted the NEP

with the special objective to reduce the identification of race with economic function and geographical location (Lim and Stern 2003; Naguib and Smucker 2009).

A major strategy under the NEP was ‘market nationalization’ through stock purchases of previously private plantation and mining corporations and their conversion into state-owned enterprises or government-linked companies (GLCs) (Lim and Stern 2003; Naguib and Smucker 2009). These GLCs were mostly small- to medium- sized endeavours dealing with various industries like agriculture and processing plants. These GLCs normally start out as projects exploiting the state-owned resources (Norhashim and Ab. Aziz 2005). Control of these GLCs was transferred to prominent Malays who were normally politically connected, through the bestowal of licenses, permits and contracts (Lim and Stern 2003; Norhashim and Ab. Aziz 2005). In this way, the NEP effectively institutionalized patronage politics into the Malaysia economic system.

For example, in the state of Pahang on the Peninsula, timber licenses were awarded to a range of different groups, ranging from the members of the Pahang royal family to some *penghulu* (village headmen), former high ranking members of the armed forces, dignitaries, as well as non ranking members of political support groups, especially around election time (Cooke 1997). The grooming of hand-picked Malay and *Bumiputra* (indigenous, literally ‘sons of the soil’<sup>1</sup>) entrepreneurs (Lim and Stern 2003; Norhashim and Ab. Aziz 2005) enabled a few Malay and *Bumiputra* individuals to become extremely wealthy without significantly reducing government control of the resources transferred to them (Lim and Stern 2003; Naguib and Smucker 2009). This is not a new development; the precedent was set in colonial days: the departing British

bequeathed valuable licenses to extract timber to carefully selected indigenous leaders (Cooke 1997).

Related restrictions on largely non-Malay private sector enterprises caused Chinese business to seek patrons among local and national Malay politicians, bureaucrats and businesspeople (Lim and Stern 2003). This produced what was called ‘Ali-Baba’ arrangements as non-*Bumiputra* businesspeople (‘Babas’) gained access to business opportunities through sub-contracting, or by buying over rights given to the Malays (‘Alis’). Part of the revenues or rents earned by these privileged private businesses were distributed back to their patrons (either through investments into the community or for election campaigns) to ensure the awarding party’s return to power in elections (Naguib and Smucker 2009; Norhashim and Ab. Aziz 2005). Patronage politics established at the elite level clearly transcended ethnicity, however at the popular level ethnic differences were emphasized in order to hold the loyalty of the constituents (Leigh 1998).

The close reciprocal association between the government and interests from Malay and *Bumiputra* communities have led to frequent criticisms of cronyism, misdirection of public funds, lack of transparency, and lack of incentive to be cost conscious or sales driven. However, a major reason why such a relationship-based system did work is because it was largely self governing. Patrons and clients intent on maintaining their reputations and ‘connections’ honour the spirit of agreements, often in the absence of any written contract, in order to ensure a steady flow of future business within the same network. In other words, the objective of productive and optimal resource allocation within the economy was met (Naguib and Smucker 2009; Norhashim and Ab. Aziz 2005). Therefore, the pursuit of economic growth and development, fueled by the

easy access to natural resources, had been the credo of national unity in an ethnically-divided Malaysia since the 1970s (Hezri 2004).

In the 1980s, this focus on natural resources as an economic driver continued as government subsidies towards GLCs for the modernization of agriculture increased (Naguib and Smucker 2009). However, international controversies over the misuse of Malaysia's natural resources for development erupted in the 1980s: over logging at Baram-Limbang in Sarawak; over dam construction over the Tembeling River, located within the country's then only national park, Taman Negara; and over plans to construct a power-generating dam at Bakun in Sarawak, which would destroy about 69,640 hectares of pristine forest ecosystem (Choy 2006; Hezri and Hasan 2006). All these projects were linked to cronies of the ruling party. As a result, Malaysia's image abroad also began to suffer, as the European Parliament blamed the Malaysian government for deforestation, and threatened to stop importing Malaysian timber (Hezri and Hasan 2006). European destinations accounted for almost 40% of timber exports at the time (Tachibana 1999), and this embargo would put the lucrative industry, and the patronage links within it, in jeopardy. Dr. Mahathir, who took over the helm of the state in 1981, inherited responsibility for these issues. The following section discussed how ideological deception can be used to justify action that is in the interests of political and economic elites (Gunes-Ayata 1994), and how Dr. Mahathir successfully did so.

**b. Dr. Mahathir, the ideological champion (1981-2003)**

In many developing countries, development is often caught up in nationalist rhetoric and political ideology (Savage 2006). In particular, political systems containing patronage networks often also use ideological deception to justify action that is in the interests of political and economic elites (Gunes-Ayata 1994). In political life, economic and natural resource claims are seldom presented as simple demands for elite gain; they are usually couched in terms of ‘economic justice’ (Kurer 1996) or ‘environmental justice’. Faced with a worldwide resurgence of environmental concern led by developed countries, the position of Malaysia was fervently defended by Dr. Mahathir.

Dr. Mahathir emerged internationally in the late 1980s as a leading proponent against the view linking consideration of the environment to development issues. In particular, he accused western nations of trying to shift the blame for the state of the global development onto developing countries (Bankoff and Elston 1994). Dr. Mahathir used ideological arguments to champion the sovereign rights of environmental exploitation and self-determination of developing countries at international meetings (Hezri and Hasan 2006). These events were important in defining the discourse of natural resource exploitation and elite favoritism in the region, and also in other developing countries around the world, couched against the ‘eco-imperialist’ position of wealthy developed countries (Hezri and Hasan 2006). For example, in response to European accusations over timber, Dr. Mahathir argued that:

Now the developed countries have sacrificed their own forests in the race for higher standards of living, they want to preserve other countries’ rain forests – citing a global heritage – which could indirectly keep countries like Malaysia from achieving the same levels of development.

(circa 1989, in Karim 2008)

Following this, Malaysia initiated, organized and hosted the Commonwealth Heads of Government Meeting (CHOGM)<sup>2</sup>, in Langkawi, Malaysia in 1991. At this meeting, the Malaysian hosts played an integral role in drafting the Langkawi Declaration on the Environment. The Declaration championed the rights of the developing world in its fight against the superpowers on environmental issues that were to be brought up at the United Nations Conference on Environment and Development (UNCED) the following year (Hezri and Hasan 2006), and noted that:

The current threat to the environment ... stems essentially from past neglect in managing the natural environment and resources ... due emphasis (should) be accorded to promoting economic growth (of developing countries) ... economic growth is a compelling necessity ... environment concerns should not be used to introduce a new form of conditionality, nor as a pretext for creating unjustified barriers of trade.

(Commonwealth Heads of Government 1991)

Dr. Mahathir's efforts came to a head at the UNCED in 1992. The UNCED, or the Earth Summit held in Rio de Janeiro, Brazil in 1992 was an important historical event in the management of global environmental issues, ultimately resulting in an international consensus around the concept of sustainable development. During the conference, several world leaders were invited to address the summit. Among them was Dr. Mahathir, who said that:

Most developed countries have already destroyed their capacity ... they clear-felled their forests ... Yet we hear from the rich, proposals which would result in stopping the development of poor countries in order to reduce pollution ... The poor countries have been told to preserve their forests and other genetic resources on the off-chance that at some future date something is discovered which might prove useful for humanity. This is the same as telling these poor countries that they must continue to be poor because their forests and other resources are more precious than themselves ... Denying them their own resources will impoverish them and retard their development ... Yet the (developed countries) demand a forest convention ... Now the rich claim a right to regulate the development of the poor countries ... As colonies we were exploited. Now as independent nations we are to be equally exploited.

(Mohamed 1992)

This speech and its powerful message were greeted with animosity from developed countries and with jubilation by developing countries (*The Globe and Mail* 1992). Dr. Mahathir was hailed as a new force and 'spokesperson' for developing nations, with Tanzania bestowing him the title 'champion of the poor' (*The Globe and Mail* 1992). Despite the increasing number of environmental NGOs in developing countries during that time, Dr. Mahathir's words fueled a rise of distrust of this environmental movement. Many developed countries thus viewed environmental pressure as another disguised constraint on economic development, in contradiction of the right to permanent sovereignty over natural resources, the right to development, and the principles of sustainable development (Tay, 1998). Environmentalism was

seen as another ploy to retard the pace of development in the former colonies, to preserve them as pristine nature reserves (McDowell 1989).

Most importantly, this was successful in influencing the trajectory of the UNCED: Malaysia, with the support of several other developing countries, successfully blocked the US-proposed 'Forest Covenant' (Mohamed 1999b), that would have serious implications for the timber industry. The language of the documents resulting from the UNCED, like the Rio Declaration on Environment and Development, Agenda 21 and the Forest Principles, also reflected the concerns of developing countries for sustained economic growth. Another recognition of Malaysia's leadership role was evident with the appointment in 1993 of Dr. Mahathir as the founding Chair of the United Nations Commission of Sustainable Development, through overwhelming support of the Southern countries (Hezri and Hasan 2006).

However, that same year, Austria passed a legislation requiring all imported timber commodities to be certified as having been produced under sustainable forest conditions (including non-burning methods of forest clearing), something that was regarded as part of an 'anti-tropical timber campaign' by the Southeast Asian region (Montes and Magno, 1997). Malaysia took the lead on behalf of the region by lodging a formal complaint to the General Agreement on Tariffs and Trade<sup>3</sup> (GATT), upon which Austria repealed its legislation (Montes and Magno, 1997). This was again met by European resistance in 1998 when the European Parliament decided to suspend all European timber imports from Sarawak (Hezri and Hasan 2006). Following this, Dr. Mahathir contributed to a special issue of *New Perspectives Quarterly* in defense of his actions at the UNCED and to condemn this European embargo (Mohamed 1999b). He called for

developing countries to stop scapegoating developed countries for ecological sins it committed on the road to prosperity, arguing that:

We in Malaysia are fully aware of the role that the tropical forests play in preserving the delicate balance in the environment. We are aware of the thousands of species of flora and fauna that are to be found only in our forests. We are aware that trees absorb carbon dioxide and give back the precious oxygen without which we would all drop dead. But we are also acutely conscious that we are a developing country that needs the wealth afforded by our forests. We do not cut down our trees foolishly. We need living space, we need space for agriculture, and we need the money from the sale of our timber.

(Mohamed 1999b)

Here, he specifically derided the developed countries for attempting at UNCED to lock up the tropical forests and other natural resources, which are critical for the development of heavily forested states like Malaysia and Indonesia. He also derided the boycott of tropical timber by European states, arguing that this ignored the plight of hundreds of thousands of people whose lives depend on the timber industry, and the loss of government revenue that could be used to support the people. In his words, “the livelihood of these states depended on tropical timber, and there will be no development if the poor countries are not allowed to extract their natural wealth”. He thus insisted that the exploitation of forests and other natural resources was fully justified (Mohamed 1999b). Over the years, Dr. Mahathir continued to promote this paradigm. In a speech at the World Renewable Energy Congress in Kuala Lumpur in 1999, Dr. Mahathir reminded delegates that:

When people are very poor, they cannot be blamed if they care less for the environment than for the money they have to spend. We really cannot blame the poor for cutting down timber ... yet they (developed countries) are relentless in their condemnation and action against those who have little choice but to exploit their few natural resources. Poor countries and even middle-income countries have a duty to develop and bring a better life to their people.

(Mohamed 1999a)

As a whole, Dr. Mahathir stressed a view of development that involved appropriating all available natural resources and their conversion into investible capital. His message was clear; developing countries should not be prevented from exploiting their own natural resources which is vital for their own development (Leigh 1998). These international events ensured two things for patronage politics in Malaysia: Firstly, the failure of the Forest Covenant maintained the leadership's discretionary access to natural resources to be tapped for clientelist purposes. Secondly, timber and agribusiness conglomerates enjoyed the protection of the state patrons in the maintenance of their sources of wealth. Responses to the international community, once shorn of the rhetoric, demonstrated the overriding importance of the huge economic stake held by powerful clients who controlled the process of extraction and marketing of saw logs and other natural resources (Leigh 1998).

To further bolster the state's upward economic trajectory, the Third National Agricultural Policy was introduced by Dr. Mahathir in 1998. The principal aim of the policy was to maximize

income through the optimal utilization of resources. The objectives of this new policy was to achieve a higher level of expansion and development of the food industry sub-sector through ‘a wider and more effective representation and participation of the *Bumiputra* community in modern and commercial agriculture, agribusiness and trade’ (Murad, Molla, Mokhtar, and Raquib 2010). This policy further institutionalized patronage politics in the natural resource sectors.

Close to the end of his tenure, Dr. Mahathir finally approved the 2002 National Policy on the Environment after a delay of six years. Strong economic performance fueled by natural resources during the 1990s had rendered such a policy unpopular among influential business groups, fearing that it would affect continuous economic growth, and this was the main cause of its delay (Brinkerhoff and Goldsmith 2004). The ability of these well-connected business groups to influence environmental policy outcomes was a good example of the classic collective-action or free-rider problem often associated with patronage type outcomes: what might be rational at the level of society makes less sense at the level of the individual, and creates disincentives of elites to go along with changes in the system that would benefit the majority (Brinkerhoff and Goldsmith 2004). The question of environmental protection remains a particularly sensitive one in Malaysia, highly politicized and part of a much larger debate over resource allocation (Bankoff and Elston 1994). Until today, even though pro-environmental policies and statutes are in place, environmental protection was a subsidiary objective of these statutes in relation to the overriding objective of facilitating the utilization of natural resources by large conglomerates (Hezri and Hasan 2006; Memon 2000).

In 2004, a new Ministry of Natural Resources and the Environment (MNRE) was established in Malaysia. For all the benefits of a separate and empowered Ministry, there are worrying signs that the MNRE is perpetuating the traditional emphasis on exploitation and wealth creation, as evidenced by the new Minister's recent assertion that land and forests are national assets which must not be left dormant (Tan 2004). As a result of this, Malaysia's agricultural trade (has grown significantly in recent years (Murad, Molla, Mokhtar, and Raquib 2010). Malaysia's unrelenting growth surges, fueled by the abundance of natural resources and raw materials, have paved the way for progress (Raman 2006). This has been straining natural potentials to breaking point in order to allow selected individuals to chase individualistic economic benefits (Hezri 2004; Raman 2006). This has been just as much the case in the Malaysian commercial timber industry, especially in the heavily-forested state of Sarawak, which is the focus of the following section.

### **c. Politics and patronage in the Sarawak timber industry (1990s-present)**

An apt illustration of the straining of natural resources in Malaysia for clientelistic goals is the timber industry. Timber was one of Malaysia's largest export industries in the early 1990s with earnings approximating RM 7.3 billion (Bankoff and Elston 1994). As one of the world's largest tropical log suppliers, Malaysian forests continue to deteriorate due to overzealous logging, with little emphasis on protecting non-commercial species and replanting programs (Hezri and Hasan 2006; Raman 2006). Most of the valuable timber has gone from Peninsular Malaysia, often logged and then cleared for plantations, and the state of Sabah has been virtually logged out. The 'last frontier' for logging in Malaysia was in the large, heavily forested East Malaysian state of Sarawak. In the late 1970s, about 76% of Sarawak was under forest cover; 90% of this was under

logging concessions. By the late 1980s, it was estimated that over 30% of the total forest area was logged (Leigh 1998). The timber industry there, since its expansion in the 1970s, was estimated to provide Sarawak with 50% of its revenue (Cooke 1997).

In joining the Federation of Malaysia after the colonial era, individual states had surrendered their powers to the federal government, except in matters relating to land, water, local government and religion. This meant that states retained the power to formulate their own forestry, water resources, mining, wildlife and fisheries policy (Hezri and Hasan 2006; Memon 2000). The Ninth Schedule of the Malaysian Federal Constitution includes List 2A (Supplement to State List for Sabah and Sarawak) and List 3A (Supplement to Concurrent List for the States of Sabah and Sarawak) accorded even greater control to the two East Malaysian states over natural resources when Sabah and Sarawak joined the Federation in 1963. The state of Sarawak has exclusive jurisdiction to make laws affecting land use, forestry (which includes the removal of timber and biomass), impounding of inland water and diversion of rivers, electricity and the production of electricity generated by water (Memon 2000).

On the strength of its legislative powers under Article 77 of the Constitution, Sarawak amended its Natural Resources Ordinance 1949 as the Natural Resources and Environment Ordinance 1993 and established the Natural Resources and Environment Board (NREB) to enforce the Ordinance. Under this, the Natural Resources and Environment (Prescribed Activities) Order 1994 shifted control over land use applications and procedures into state government hands (Memon 2000). From that point, the timber industry became a crucial source of economic development in Sarawak. In the early 1990s, the forestry sector accounted for more one-third of

Sarawak's revenue (Dauvergne 1995). As a reflection of the dependence of the Sarawak economy on the export of natural resources, the state has over the years zealously guarded its constitutional autonomy against perceived encroachment by the federal government (Memon 2000).

With this autonomy, the royalties from the timber industry formed a very important source of income for the state of Sarawak. The economic motivation was principally the opportunity to appropriate community resources for private purposes. The political rationalization was the dramatic increase of political power for those who have control over allocating these resources. The Sarawak coalition government headed by the Parti Pesaka Bumiputra Bersatu (PBB) came into power at the time of the NEP's introduction, and the new State Chief Minister, Abdul Taib Mahmud consciously employed the ideology of the NEP to legitimate the process of reallocating wealth and power to favoured individuals. He set out quickly to create a group of rich *Bumiputra*-Muslim businesspeople with personal links to himself (Leigh 1998), openly justifying this move as follows:

I have selected those Bumiputra who are able to make a success of the economic opportunities afforded them ... it sometimes appears that the implementation of a policy only benefits a few. But where this is so, it is simply because we must start step by step. Then the circle of development will gradually widen.

(Leigh 1998)

In this way, shifting natural resources from the public to private domains, supported by patronage politics, was legitimized by a pro-exploitation, pro-development ideological trend (Leigh 1998). The control over timber wealth was disbursed by state elites to a select few, usually political supporters, friends and relatives, to maintain loyalty and support (Raman 2006). These licenses were then contracted out to a few major timber magnates and logging contractors, often Chinese, in the typical 'Ali-Baba' fashion (Raman 2006). *Bumiputera* political patrons provided political protection and access to resources, licenses, or contracts in exchange for financial and electoral support from these Chinese clients (Dauvergne 1995). The Chinese logging companies further played their role by paying monthly salaries to headmen, to keep them 'on side', and to allow for the smooth continuation of their activities, and the activities of the government in office (Leigh 1998). This deepened the complex networks of patronage politics within the state.

As a result, in Sarawak, around six Malaysian-Chinese companies essentially controlled timber extraction. Malaysia's largest timber operator was Datuk Tiong Hiew King. He was the head of the Rimbulan Hijau Group which controlled 800,000 hectares of timber concessions in Sarawak. He was a close friend of the Sarawak Deputy Minister, and strongly backed Taib and the Barisan National coalition government. Datuk Ting Pek Kiang was another powerful ethnic Chinese businessman in Sarawak. He was Chairman of the Ekran Company which controlled 600,000 hectares of timber concessions. Datuk Ting has close ties to both Taib and Dr. Mahathir, which these politicians openly acknowledged (Dauvergne 1995).

Chinese financial support became especially important to Sarawak *Bumiputra* political elites (Cooke 1997) with the start of directly elected state legislatures in 1967. Because of the rural and dispersed nature of the electorate, election campaigns can be expensive. For this functional reason, virtually all political leaders in Malaysia and especially Sabah and Sarawak have had extensive ties to timber operators (Dauvergne 1995). For example, during the 1991 election campaign, Taib Mahmud's party enjoyed the benefits of seemingly endless funds and a fleet of helicopters to cross the jungle-clad terrain for campaigning (Cooke 1997). Further it was believed that these businesses contributed to the paying off of headmen to influence the voting of their villagers, buying votes, and swaying the allegiance of other politicians (Dauvergne 1995).

Due to this reciprocal government-business relationship, the timber industry was usually presented in official discourse as providing a vehicle for 'catching up', and for development. Therefore, the opposition political party Parti Bansa Dayak Sarawak (PBDS) was declared 'anti-development' for opposing the creation of large-scale timber plantations in instances where native resistance to such development was rife. At the same time, timber interests responsible for forest exploitation were regarded as national saviours, not environmental vandals (Cooke 1997).

It was quite evident that there was a close connection between Sarawak's forest policy, action on the ground, and the demands of its timber industry clients. For example, in 1984, a government directive restricted the rights to make NCR claims because of the fear that native forest dwellers may destroy commercially viable species through swidden agriculture or for private consumption (for example, boat-making or building community longhouses) (Cooke 1997). Further, in 1987 an amendment to the Forest Ordinance for Sarawak made it a criminal offence to barricade

logging roads (Leigh 1998). And Sarawak EIA laws and enforcement of them are extremely lax; they have no scope for public participation (Memon 2000) and very few logging companies have ever bothered to submit a report (Dauvergne 1995). Also, middle and low level enforcement officers frequently overlook discrepancies in exchange for money, gifts and career opportunities, which further sap the ability of the forest departments to enforce conservation policies. When illegal loggers or smugglers are nabbed, they tend to be small-time operators or local swidden farmers, not large-scale operations (Dauvergne 1995).

The state and even central authorities were also quick to defend loggers when faced with international criticism. Datuk Amar James Wong Kim Min, Sarawak's Minister of Environment, openly supported logging and dismissed environmental degradation by stating that in five years after logging primary forests, "all the animals are back ... with more fruits and nuts than before ... logging is good for the forest" (Dauvergne 1995). And in typical 'tropical government' (the tendency of such governments to blame forest-dwellers for various types of forest degradation) fashion, both the central and state governments have been unanimous in blaming the nomadic forest-dwelling Penan tribe for deforestation in Sarawak (Leigh 1998). Dr. Mahathir was quoted in local newspapers as saying that:

The Europeans should blame the Penans instead of the Government for destroying the forests but of course, they would rather blame the Government and logging concessionaires. The Penan should stop moving place to place for shifting cultivation but instead stay in one area and manage the land properly.

(Leigh 1998)

The Industries Minister supported this statement by declaring:

If the reputation of Malaysia is not protected by giving the right information and counter arguing against eco-colonialistic attitude[s], such misinformation will in the end affect our economy.

(Dauvergne 1995)

In the 1990s, with the depletion of timber resources due to the unsustainable logging rate and practices of the timber industry, the Sarawak state government ambitiously embarked on a massive plan to convert the logged-over lands with commercial plantations, especially oil palm (Raman 2006). This land conversion has coincided with the rise of haze events around the region, as well-connected companies used fire as a cost-effective way to clear the land in preparation of planting. Despite this important signal of environmental degradation, the continued exploitation of natural resources by powerful business interests is evidently continuing in this new sectors in Sarawak, as well as in Malaysia as a whole, further strengthening patronage networks (Hezri and Hasan 2006).

As a whole in Malaysia, strong patronage politics that permeate these natural resource sectors, bolstered and justified by ideological arguments by patron governments, continue to be upheld within political and economic structures at the federal and state level. Similar progressions (from timber to oil palm) and patronage structures were previously observed in Indonesia's developmental trajectory as well, as discussed earlier in part one of this series of articles.

The preceding section has shown how patronage networks have developed in Malaysia, complimenting and encouraging the process of natural resource exploitation. Next, this paper turns to Singapore, an island state lying in between Malaysia and Indonesia. Its small size has limited natural resource exploitation within its borders; however by embracing similar paradigms as its bigger neighbors, Singapore has developed into a major agribusiness player in the region. The following section briefly explores Singapore's political culture and how patronage politics also play an important role in this society.

### **3. Singapore: The island state in a 'sea of green'<sup>4</sup>**

Nestled in between the resource-rich states of Indonesia and Malaysia is the small island state of Singapore. While Singapore experienced a similar colonial history being administered as part of Malaya (as Peninsular Malaysia was then called) under the British, Singapore left the Federation of Malaysia in 1965. While Singapore has been regarded as one of the least corrupt states in the region, the Singaporean business model still retains similarities with the Malaysian and Indonesian models that have patronage politics as an important feature (Haley 1996).

Singapore emphasizes both giant corporations' domination of economic life and integration of business into governmental and bureaucratic decision-making (Haley 1996). The Singaporean leadership has fused the dominant party, the state bureaucracy, a range of state enterprises, and parts of the military in what can be depicted as deep elite 'cohesion'. To complement this, the government fostered key planning units like the Projects Division inside the Economic

Development Board, its highly trained technocrats and managers collaborating effectively with local firms (Case 2003). Tight hierarchical controls exist in the formulation of policy; the government forms the most influential stakeholder by far, constituting agenda setter and agenda achiever; to control, it also forms a major stockholder in the major corporations (Lim and Stern 2003). Dependence on the state for contracts and awareness of the political nexus between the civil service and the ruling People's Action Party (PAP) had promoted cooption rather than forceful interest representation to the government. Therefore, the dispensation of state patronage to favoured individuals in clientelist party-based networks is prevalent in Singapore as well, resembling those in Malaysia, Indonesia and other Southeast Asian countries (Lim and Stern 2003).

The many Singaporean GLCs provided legal opportunities for members of the political elite to advance their careers and create bases for power: a privileged few 'star performers' held multiple and lucrative board positions in GLCs and their numerous subsidiaries, which could multiply their income and wealth, for example, through stock offerings and options. These included relatives of senior government officials, former senior military commanders, current senior government officials, and current and former ruling party politicians (Neville 1992). For example, the GLCs (including those involved in agribusiness plantations) controlled by Temasek Holdings, the post prominent state-owned holding company, own one-quarter of the equity listed on the Singapore Stock Exchange, while generating 10% of the country's GDP. The boards and executive posts of the GLCs are thus staffed with civil servants, military officers, or government Members of Parliament who are, by definition, part of the ruling PAP party (Case 2003). These GLCs were also famously non-transparent in terms of financial and business disclosure

However, since all these individuals were highly qualified in terms of education and past employment, accusations of nepotism were easily deflected (Neville 1992).

Post-independence and separation from Malaysia, agriculture in Singapore became increasingly marginalized, due to space and policy-guided economic limitations. High priority was accorded by the Singaporean government to development through import substitution, then to export-oriented and increasingly capital and technologically extensive production, and finally to the development of financial and business services. Singapore is now a major international business and financial hub, and is regarded as the only state in the Southeast Asian region to have achieved 'developed' status (Than 1998).

After periods of intense inward-looking development, the government began to pay explicit attention to outward foreign direct investment (OFDI), especially within the ASEAN region, in the mid 1980s (Ellingsen, Likumahuwa, and Nunnenkamp 2006). OFDI was supported and encouraged by the government, and it assisted direct investors in various ways. The International Direct Investment Programme was launched in 1988. Direct investors were offered tax incentives and financial support for venturing into OFDI opportunities. The Committee to Promote Enterprise Overseas was set up in 1993, this Committee made various suggestions aimed at facilitating overseas ventures (Ellingsen, Likumahuwa, and Nunnenkamp 2006), which were mostly targeted at facilitating the movement of GLCs outwards (Ellingsen, Likumahuwa, and Nunnenkamp 2006).

The Singaporean government considered OFDI an essential means to preserve international competitiveness through structural change and industrial upgrading, in order to promote the country's global reach. This meant that lower-end industrial activities were supposed to move to locations with lower labour and land costs, while more human capital-intensive and technology-intensive stages of the production process were to be retained in Singapore. This was known as 'government directed dynamic comparative advantage' (Ellingsen, Likumahuwa, and Nunnenkamp 2006). It also emphasized pursuits of international interdependence through OFDI (Haley 1996). Concerned that rising land and labour costs have made many of Singapore's manufacturing industries less competitive, the Singaporean government particularly actively promoted investment in the neighbouring region. More than 34% of OFDI from Singapore was directed at Malaysia, followed by Thailand 32%, Vietnam 10%, and Indonesia 8% (Hiratsuka 2006). The presence in Indonesia of a large Chinese business community further facilitated the establishment of trade and investment links between Singapore and Indonesia (Thee 2006).

At around the same time in the mid 1980s, as a result of government policy decisions, agriculture, which has been languishing under the pressure of land competition, labour costs and small-scale operation, was targeted for reform. This sector then began a process of becoming a capital intensive, high technology, research and development based service for the region. The government encouraged Singaporean agribusiness companies to invest overseas in more labour and land intensive production of all types of foodstuffs and cash crops (Neville 1992). With this government encouragement, Singaporean companies embraced the plantation boom in the region, and had significant land holdings for cash crops especially in Indonesia, mostly through joint ventures with local companies. Much of this was target in Indonesia, and as a result,

agriculture and manufacturing were major sectors of investment, consisting 33% and 5% of Singapore's investment in Indonesia respectively (Thee 2006). Therefore, it can be seen that Singapore's shared colonial history and similar evolvement of patronage business models with Malaysia and Indonesia, complemented by its recent government-encouraged move into foreign agribusiness investment, ensures a tacit understanding for natural resource exploitation that its neighbours can identify with.

#### **4. Conclusion**

Through a close analysis of Malaysia and Singapore's development trajectories, this paper has argued that the focus on the exploitation of natural resources in Malaysia and Singapore has an inherently political dimension; that of the attitudes of the decision-making elite, which inherited ideas of development through the exploitation of natural resources from their colonial predecessors. This has provided an environment ripe for the establishment of political structures and processes that support and encourage the development of ubiquitous patronage networks. Taken together with part one of this two-part series of articles that detailed the development trajectories of Southeast Asia in general and Indonesia in particular, this series of articles conclude that patronage networks in the region have complimented and encouraged the process of natural resource exploitation. As a whole, these circumstances encouraged and accelerated environmental degradation across the region where well-connected patrons and clients abuse the resource base for personalistic ends.

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<sup>1</sup> '*Bumiputra*' commonly refers to citizens of Malaysia excluding the Chinese and Indian 'immigrants', who generally arrived in Malaysia during the British occupation to work on mines and plantations. *Bumiputra* indigenous groups make up the majority of the citizens of the East Malaysian states of Sabah and Sarawak.

<sup>2</sup> The Commonwealth of Nations is an intergovernmental organization of independent member states formerly part of the British Empire.

<sup>3</sup> The GATT did not permit barriers of trade based on environmental considerations.

<sup>4</sup> The original usage of this phrase, of Singapore being a 'little red dot' in a sea of green had racial connotations, when Indonesia's President Habibie referred to Singapore as being a tiny Chinese state surrounded by Islamic states. In this context, it is used to depict the relative scarceness of natural resources in Singapore as compared to its neighbours.