



PERSPECTIVE

Risks, Opportunities and Adventures in Borneo

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Recently my colleagues and I traveled to Sarawak, Malaysia, on the island of Borneo. Shared with Indonesia and Brunei, Borneo is a huge island encompassing more than 740,000 square kilometers. Like the rest of Borneo, the state of Sarawak has an incredible amount of natural mineral and wood resources along with rainforests containing a wide variety of wildlife, including the Bornean orangutans and many other flora and fauna species. Sarawak's human population is also quite diverse, with more than 20 ethnic groups represented.

Sarawak is unique insofar as the Malaysian Constitution has provisions that protect Sarawak's semi-independence; the local government has been granted power to regulate entry and residence, employment in public services, etc. Some political observers have said that when general elections are held in Malaysia, Sarawak is often the swing state that decides the results.

My colleagues and I arrived in Bintulu, a small town northeast of Kuching, Sarawak's capital. It is located in the coastal region of the central coast of Sarawak, which in recent times has seen a boom in industrial activity. I decided to go for a swim before dinner, but someone warned me that a crocodile was spotted living off the coast near the hotel where we were staying. Always aware of the risk-reward of any situation, I decided not to go for a nighttime swim since crocodiles are known for their good nocturnal vision, and I didn't want to risk becoming a meal! However, the next morning, I surveyed the situation and decided to take the swim, happy to see no crocodile in sight. On a prior visit to Borneo, I made the trek up the island's tallest mountain, Mount Kinabalu, located at the other state of Malaysia within the island, Sabah. It was quite an experience! Climbing before dawn—and in pouring rain—our group struggled to climb the slippery vines and rocks to reach the top (which is over 4,000 meters above sea level) just in time to witness the sunrise. In this case, I was glad it was dark while we were climbing, because if I were able to see the rock face we had climbed in broad daylight, I would never have attempted it!

Borneo is the world's third-largest island, and its equatorial rainforest is home to many species of plants and animals, which attracts tourists from around the world. Borneo also boasts significant power resources, including hydroelectric power, coal and natural gas deposits; liquefied natural gas is a key export.

My colleagues and I came to Bintulu to visit the Samalaju Industrial Park, part of the Sarawak Corridor of Renewable Energy (SCORE) program. The program was established in 2008 to leverage the abundant hydro and other energy resources in the state to support industries that require a lot of energy, such as aluminum, glass and steel production. Currently there are three dam projects generating power. The Bakun Dam, completed in 2011, is the largest rock-fill dam in Southeast Asia, designed to generate some 2,400 megawatts (MW) of electricity.

The Bakun Dam project was not without controversy about the potential environmental and social consequences. Some 700 square kilometers of land (about the size of Singapore) was flooded, drowning native settlements and rainforests that, according to some environmentalists, contain species of plants and animals not found anywhere else in the world. Another hydroelectric project, the Murum dam, started in 2014, also resulted in submerging thousands of hectares of forests and displacing indigenous people. The Baram Dam project is meeting resistance from local indigenous tribes, but nonetheless, more dam projects are planned and receiving government approvals.

The first investors in the Samalaju Industrial Park included a Japanese firm producing polycrystalline silicon, which is used in integrated circuits and solar cells. The production of silicon requires an enormous amount of electric power, so the cheap electricity was a big draw for the firm, which involved a total investment of about US\$1 billion and is expected to eventually employ 900 people.

At the industrial park, we visited an aluminum smelter with a production capacity of 640,000 tons annually using 1,000 MW of electric energy to smelt raw bauxite imported from Australia. The plant was an enormous structure, stretching over one kilometer in length. The plant manager said that while electricity usually represents the highest cost in producing aluminum, this location was favorable in that costs were among the lowest in the world. He was optimistic about aluminum's future prospects, expecting demand from transport, construction, electrical, packaging and consumer durables companies.



Visiting a smelter in Sarawak, Malaysia

Despite efforts by conservationists to protect the rainforest, deforestation and the burning of forests to clear land for palm oil plantations is an issue. Not only are the forests dwindling, but there is a haze of smoke that reaches into Singapore and Peninsular Malaysia for about a month each year when the burning takes place. Protecting and preserving the environment while fostering growth and progress is certainly a difficult balancing act.

It certainly seems infrastructure is a priority for Malaysia as a whole, as the government's recently unveiled Budget 2017 allocates funds for railway, bridge and road projects. Construction remains a fast-growing industry in Malaysia, so I wondered about plans for the Malaysian part of Borneo as well.

Since Kuching is the capital of Sarawak, we thought it made sense for us to get some insights into what was planned for the state going forward. A new chief minister has just taken over and we had heard that he had plans to accelerate development. At the cavernous lobby of a downtown hotel, we met the planning official, who was on his way to the airport. He told us the government was interested in getting the private sector more involved in development by giving companies contracts to build and operate various infrastructure projects. I asked if he planned to have the private sector build toll roads so it could get repaid for construction costs by using money generated from tolls. The official answered that it might be too politically sensitive to charge the population to use the roads, but the government could compensate the concessionaires. He speculated on the idea of making Sarawak a financial center and attracting investment and banking firms.

Certainly, Sarawak's tropical climate and easy-living style would be attractive to many, although Malaysia had already designated the island of Labuan for that purpose, though this has not been wildly successful. In any case, the attractions for foreigners to the area are many.

There certainly was the feeling that the government sees itself as somewhat paternalistic, which is understandable given the area's colorful history. In 1841, in gratitude for his crushing a rebellion, British soldier James Brooke was named governor with the title of Rajah. Apparently, Brooke ran a rather benevolent and orderly government and was responsible for the construction of a number of public works such as a sanitation system in the city, hospital, fort and a bazaar. He was called the "White Rajah," and his descendants continued to rule after his death. During their rule, Sarawak had its own currency, stamps and in 1850 was even recognized by the United States as an independent state. The Brookes adopted a form of paternalism with councils, including the various tribes and ethnic groups such as the Ibans, Dayaks and others advising the Rajah, marking the oldest legislative assembly in Malaysia. World War II resulted in the Japanese occupying the area, and in 1946 with the Japanese surrender it became a British Crown Colony. Then in 1963, it was granted self-government and became part of the Malaysian Federation.

During my free time, I had the opportunity to visit the Sarawak Museum in Kuching. Charles Brooke, the nephew of James, began construction of the museum in 1891, and it contains an extensive collection of ethnic artifacts and nature exhibits. At the downtown waterfront, we saw a small ship repair dock with a plaque quoting a book written by Charles Brooke's wife, Margaret, called "My Life in Sarawak." She describes the inauguration of the dock and the hilarious celebration when her husband tried to make a congratulatory speech. Much to their amusement, the speech became inaudible when the workers became rambunctious and started jumping into the water.



Kuching's Cat Museum,
Source: [Flickr/Patrick Liu](#)

When we visited the downtown port area, we saw elegant and beautiful government buildings. Kuching apparently loves cats; in a little park in the downtown port area there were large statues of cats, as well as a cat museum. It housed an extensive collection of cat paraphernalia, including all kinds of paintings, pictures, sculptures, toys and anything else related to cats. Some people say that since the word "kuching" means "cat" in Malay, the city was given that name. Legend has it that when James Brooke arrived and was disembarking from his ship, he pointed to something on the dock and a boy thought he was pointing to a cat lying there. Everyone thought he wanted his new domain to be named "Kuching." So while many visitors flock to see Borneo's vast array of wildlife, there's also something for lovers of more domesticated creatures to see.

Leaving Kuching and Sarawak on my way back to Kuala Lumpur, I reflected on the great strides being made by that state and its potential for continued rapid development. In future years, I think there are bound to be good investment opportunities there.

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