

A TALE OF TWO PROVINCES: CENTER-PERIPHERY RELATIONS AND DEVELOPMENT DIVERGENCE IN SARAWAK AND WEST KALIMANTAN

A Thesis

**Submitted to the Master's Study Program of Political Science at the Faculty Of
Social Sciences in partial fulfillment of the requirements for the degree of**

Master of Arts (M.A.)



by:
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UNIVERSITAS ISLAM INTERNASIONAL
INDONESIA DEPOK
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ABSTRACT

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Why did two structurally similar, resource-rich peripheries diverge so sharply in development outcomes? Sarawak in Malaysia and West Kalimantan in Indonesia are neighboring provinces on the island of Borneo that share equatorial ecology, timber endowments, comparable ethnic demographics, and a common history of postcolonial insurgency and Konfrontasi. Yet between 1980 and 2000 their developmental trajectories diverged sharply: Sarawak's poverty rate fell from 56.5 percent (1976) to 6.7 percent (1999) and rural electrification reached 80 percent, while West Kalimantan's poverty stagnated at 27.58 percent (1990) rising to 29.42 percent (2000) with barely 42 percent of households electrified. This study examines how different variation in center-periphery relations explain this gap. Using a qualitative historical-comparative based on the Method of Difference and within-case process tracing, it argues that the *peripheral bargaining power*: the structural capacity of a peripheral government to secure proportional resource revenue, negotiate development priorities, and local government with locally oriented actors, constitutes a highly plausible causal explanation. Peripheral bargaining power is operationalized across three dimensions: political orientation of local government, fund allocation, and development projects. Sarawak's constitutionally protected resource authority, formula-based fiscal transfers, and electoral indispensability to the federal coalition produced high bargaining power and population-serving development; West Kalimantan's military administrative occupation, fully discretionary transfers, and absence of any electoral mechanism produced low bargaining power and a structured extraction system. The finding shows that subnational development outcomes are determined by the degree of peripheral bargaining power.

Keywords: *Center-Periphery Relations, Peripheral Bargaining Power, Subnational Comparative Politics, Sarawak, West Kalimantan*

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I came to Political Science from the worry and sleepless nights about my country, the politicization of leaders, and Indonesia. I tried to understand the world, yet until this thesis was written, I still do not completely understand the world. This master's thesis is my journey of two years of studying Political Science in the Faculty of Social Sciences. Through this thesis about Indonesia, my country, I see that Indonesia is still facing inequality and social problems, let alone the people living on the border and in the periphery, far from the center of Jakarta.

The journey of writing this thesis was tough, memorable, and meaningful. Within this journey, I met people who genuinely care for students and people. I would like to thank my first supervisor, Pak Sirojuddin Arif, Ph.D., who has been working closely with me on this thesis. This thesis came from my final paper in a Comparative Politics course because the inequality among people and economic disparities intrigued me. I owe my special gratitude to Pak Siro, who guided me and gave me meaningful insights on how to master and be rigorous in Social Science. The essence of his guidance will remain with me throughout my academic journey. My second professor, Prof. Farish A. Noor, has been nothing but supportive and insightful, giving me a deeper understanding of the behind-the-scenes aspects of federalism in Malaysia. I also thank Prof. Samuel Blanc, whose writing class I have followed. I am grateful to Pak Afrimadona, Pak Rifki Muna, and Pak Faisal, who have been supportive and insightful about my work.

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ABBREVIATION DIRECTORY

ADB	: <i>Asian Development Bank</i>
ANRI	: <i>Arsip Nasional Republik Indonesia (National Archives of the Republic of Indonesia)</i>
BN	: <i>Barisan Nasional (National Front: political coalition of Malaysia)</i>
BPS	: <i>Badan Pusat Statistik (Statistiscs Indonesia)</i>
EPU	: <i>Economic Planning Unit Malaysia</i>
GDP	: <i>Gross Domestic Product</i>
GRDP	: <i>Gross Regional Domestic Product</i>
GWh	: <i>Gigawatt-Hour</i>
HPH	: <i>Hak Pengusahaan Hutan (Forest Concession Right)</i>
IHH	: <i>Iuran Hasil Hutan (Forest Product Contribution)</i>
Inpres	: <i>Instruksi Presiden (Presidential Instruction)</i>
IV	: <i>Independent Variable</i>
kV	: <i>Kilovolt</i>
LNG	: <i>Liquefied Natural Gas</i>
MRP	: <i>Minor Rural Projects</i>
MUSPIKA	: <i>Musyawarah Pimpinan Kecamatan (Subdistrict Leadership Meeting)</i>
MW	: <i>Megawatt</i>
NEP	: <i>New Economic Policy</i>
P3KT	: <i>Program Pembangunan Prasarana Kota Terpadu (Integrated Urban Infrastructure Development Program)</i>
PAD	: <i>Pendapatan Asli Daerah (Own Source Revenue)</i>
PARAKU	: <i>Pasukan Rakyat Kalimantan Utara (North Kalimantan People's Force)</i>
PBB	: <i>Parti Pesaka Bumiputera Bersatu</i>
PDRB	: <i>Produk Domestik Regional Regional Bruto (Indonesian term for GDRP)</i>

PDS	: <i>Penerimaan Daerah Sendiri (Own-Source Revenue)</i>
PGRS	: <i>Pasukan Gerliya Rakyat Sawrawak (Sarawak's People Guerilla Force)</i>
PT	: <i>Perseroan Terbatas (Limited Liability Company)</i>
REPELITA	: <i>Rencana Pembangunan Lima Tahun (Five Year Development Plan)</i>
RM	: <i>Ringgit Malaysia</i>
UMNO	: <i>United Malays National Organization</i>

CHAPTER I

INTRODUCTION

1.1 Research Problem and Research Question

Sarawak in Malaysia and West Kalimantan in Indonesia share similar geographic, ecological, and historical conditions. However, these neighboring peripheral provinces¹ experience significantly different in their development path. Despite both territories located in the island of Borneo, possess abundant natural resources, and entered their respective nation states during post-colonial period, yet their developmental trajectories between 1980 and 2000 differed substantially. Dirt roads, or paved are now something between the two. It is a quiet one, but it is twenty years of different decisions made in Kuala Lumpur and Jakarta respectively, which is what this study sets out to explain: how do different forms of center-periphery relations explain the development gap between West Kalimantan and Sarawak between 1980 and 2000?

Historically, neither territory had a strong development baseline from their colonial era. Sarawak was a poor state with scarce physical infrastructure, when it entered the formation of Malaysia in 1963, as indicated by Hazis (2009, p.92). Likewise, Eilenberg and Wadley (2009) point out that West-Kalimantan borderland has a long history of economic underdevelopment, characterized by weak socio-economic infrastructure, isolated regional markets, and scarcity of large-scale investment (p.61). Hence, we can start to see that both territories began their post-colonial periods from a relatively similar level of development, which implies that colonial legacy was not the reason causing the differences in their development trajectory after 1963. Because of that, I argue that the actual explanation lies in what happened after 1963, which is the political circumstances under which each territory was integrated into its respective nation-state. To examine the hypothesis, I will comparatively examine both provinces under the

¹ I use the term provinces for stylistic purposes. The accurate description of Sarawak would be a state. Because Malaysian federalism is based on the idea that the different entities that make up Malaysia are states.

period between 1980 and 2000, for this was when their economic development started to diverge completely and reached the peak, as shown in Table 1 below.

Table 1.1. Comparison of economic development trajectories between Sarawak and West-Kalimantan between 1980-2000

Indicator	Sarawak (Malaysia)	West-Kalimantan (Indonesia)
Income per capita growth	5.41% (1980-1990) ²	9.34% (1984-1991) ³ → 4.10% (1995-1998) ⁴
Poverty rate trajectory	56.5% (1976) → 6.7% (1999) ⁵	27.58% (1990) ⁶ → 29.42% (2000)
Electrification trend	52.0% (1990) ⁷ → 80.0% (1995) ⁸	20.86% (1990) ⁹ 42.38% (2000) ¹⁰
Road infrastructure trend	29.3% of First Trunk Road Project (1985) ¹¹ →	22% paved (1982) ¹³ → 47.03 % paved (2000) ¹⁴

² Sarawak income per capita for 1980 and 1990 is based on constant prices 1978 (Hazis, 2009, p.105, Table 3). Annual growth calculated using compound annual growth rate (CAGR): $(\text{end value} \div \text{start value})^{1/n \text{ years}} - 1 \times 100$, using RM 2,292 (1980) and RM 3,883 (1990). By 2000, per capita income had reached RM 12,755, reported at a revised base of constant 1987 prices; because this uses a different price base, a continuous growth rate across 1990–2000 is not calculated.

³ West Kalimantan provincial PDRB growth 1984-1991 is based on constant 1983 prices (Nota Keuangan (1994/95, p.434, Tabel V.56).

⁴ West Kalimantan provincial PDRB growth 1995-1998 is based on constant 1993 prices (Nota Keuangan, 2000, p. 390, Tabel V.37)

⁵ EPU (1986, p. 81), Hazis (2009, p. 108, Table 5),

⁶ Badan Pusat Statistik (1992, p. 27, Tabel 3.3); Badan Pusat Statistik (2002, p. 6 Tabel 1.2a)

⁷ EPU (1991, p. 233)

⁸ EPU (1996, p. 113), corroborated by EPU (2001, p.124).

⁹ Calculated as total PLN connections divided by total households in West Kalimantan: $133,946 \div 642,160 \times 100 = 20.86\%$ (BPS Kalimantan Barat 1990, p.214; Table 7.3.2, p. 425, Table 13.3)

¹⁰ Calculated as total PLN connections divided by total households in West Kalimantan: $358,267 \div 845,300 \times 100 = 42.38\%$ (BPS Kalimantan Barat 2000, p.211, Table 7.2.3; p.403, Table 13.3)

¹¹ First Trunk Road (Sarawak's primary coastal spine road, 990 km) $\div$ 290 km paved by 1985 (EPU (1986, p. 327). This is a project specific figure, not as a province-wide percentage: no continuous province wide paved road series for Sarawak was found in the sources consulted.

¹³ Calculated as paved road length divided by total road network length: $4,61.11 \text{ km} \div 2,095.48 \text{ km} \times 100 = 22\%$ (BPS Kalimantan Barat Dalam Angka 1982, p.285-286, Table VIII.1.2)

¹⁴ Calculated as paved road length divided by total road network length: $4,952.43 \div 10,529.96 \text{ km} \times 100 = 47.03\%$ (BPS Kalimantan Barat Dalam Angka, 2000, p.241, Table 9.1.2)

	First Trunk Road complete (2000) ¹²	
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Note: Provincial GDP/PDRB growth figures are presented as percentage growth calculated from constant prices respectively, reflecting real values throughout. West Kalimantan's earliest available data income figure is in 1984. Poverty rate for both provinces are drawn from each country's own national statistics agency.

As can be seen in Table 1, Sarawak's real income per capita increased at an average annual rate of 5.41 percent between 1980-1990 and at 12.65 percent between 1990 and 2000 (Hazis, 2009, p.105, Table 3). This reflects a more than fivefold rise in real income from RM 2,292 to RM 12,755 over the twenty-year period. West Kalimantan, on the other side, also continued to grow, but its growth slowed over time. Growth was strong in the earlier period at 9.34 percent, but it weakened into 4.10 percent (Nota Keuangan, 1994/95, p.434, Tabel V.56; Nota Keuangan, 2000, p. 390, Tabel V.37).

However, aggregate figures do not tell us about what is happening on the ground. The difference between the two provinces becomes clearer when expressed in human terms. Sarawak's poverty was 56.5 percent in 1976, meaning more than half of the entire population of Sarawak was classified as poor. Then, it fell steadily to 31.9 percent by 1984 (EPU, 1986, p. 81) and to 6.7 percent by 1999, meaning fewer than one in fourteen Sarawakians remained poor. (Hazis, 2009, p.108, Table 5). This decline in the poverty matched with the real economic growth: Sarawak's GDP grew at 6.2 percent annually between 1976-1984 (EPU, 1986, p.81).

West Kalimantan's trajectories moved in the opposite direction. In 1990, 27.58 percent of its population was poor (Badan Pusat Statistik, 1992, p. 27, Tabel 3.3). This was less than half of Sarawak's rate at comparable point and, at the first glance, appeared to be in a stronger position. Yet, by the end of the study period, its poverty rate stood at 29.42

¹² First Trunk Road completed, connecting Sematan, Kuching, Bintulu, Sibu, and Miri (EPU, 1996, P. 246)

by 2000. This figure was more than four times Sarawak's poverty rate of 6.7 percent in 1999 (BPS, 2002, p.6, Tabel 1.2a). Hence, even though it started from better point in 1990, West Kalimantan ended the study period considerably worse off.

Above all, the spatial distribution of what growth existed was concentrated entirely along the coastal export corridor. Pontianak city recorded a per capita income of Rp 5,126,676 in 1996, while Sambas, the district sharing the longest land border with Sarawak, recorded only Rp 199,139, a ratio of more than 25 to 1, within the same province (Badan Pusat Statistik, 2000, p. 66, Tabel 66).

The provision of electricity followed a similar story of divergence. In 1990, Sarawak had achieved 52 percent of electrification coverage (EPU, 1991, p.233) compared to only 20.86 percent of households from West Kalimantan, calculated from 133,946 electricity connections against 642,160 households (BPS, 1990, Table 7.3.2, p, 214; Table 13.3). A decade later, Sarawak's electrification rate had reached 80 percent (EPU, 1996, p.113; EPU 2001, p.124), meanwhile West Kalimantan's rose only to 42.38 percent of households, calculated from 358,267 connections against 845,300 households (BPS, 2000, p.211; p.403). In other words, by the end of the study period, four out of every five Sarawakian households had their homes lit up by lights each night, while in West Kalimantan fewer than half did. The gap had already existed between the two neighbors at the start of the period, and it continue to widen over the next twenty years.

The road infrastructure also followed a similar pattern. While Sarawak had a First Trunk Road project which linked up the coastal towns of Sematan, Kuching, Bintulu, Sibul, and Miri, 290 out of its total length of 990 kilometers was paved by 1985 (29.3 percent) with the road being fully built by the completion of the Seventh Malaysia Plan at the year 2000 (EPU, 1986, p. 327; EPU, 1996, p. 246). For West Kalimantan, however, the road development is given in terms of a provincial percentage of total roads which was increased from 22.00 percent (461.11 km out of 2,095.48 km) in 1982

to 47.03 percent (4,952.43 km out of 10,529.96 km) in 2000 (BPS Kalimantan Barat Dalam Angka, 1982, pp. 285–286, Table VIII.1.2; 2000, p. 241, Table 9.1.2).

This disparity goes beyond varying geography. The population of Sarawak is located along one accessible coastline, thus creating possibilities for constructing a trunk road; the population of West Kalimantan, which is scattered in different river systems and forested hinterlands which have been accessed by boats in the past, poses difficulties for connectivity. But the real disparity, as explained in the finding, is not in the disparity of the difficulty involved in constructing roads in the two regions, but in how the investment money available was utilized, whether the region constructed its roads to connect people to markets and to each other.

These aggregate figures, however, conceal the structural character of West Kalimantan's growth. The sectors driving expansion were timber extraction and trade not broad-based productive investment. The investment laws in 1967 and 1968 redirected the resource revenues from West Kalimantan's forests outward to Jakarta-based conglomerates and foreign capital rather than into provincial welfare (Davidson, 2008, p. 94). Moreover, as the poverty data confirmed: West Kalimantan recorded the highest poverty rate among all four Kalimantan provinces. It more than double that of Kalimantan Selatan at 13.03 percent and Kalimantan Tengah at 11.97 percent. This shows that the province that contributed substantial national timber revenues recorded the worst poverty outcome among all four Kalimantan provinces (BPS, 2002, p.6, Tabel 1.2a).

The path of West Kalimantan within the study period is an example of a resource-rich province where central governance structures were oriented toward extraction rather than incorporation, leaving peripheral populations outside effective state coordination. In Sarawak, local elites used their constitutional authority over land and the electoral necessity of parliament to secure federal allocations to build rural infrastructure (Chin, 1997, pp. 100-101; Hazis, 2009, pp.96-99). On the other hand, West Kalimantan, was governed by centrally appointed military officials who treated the province primarily

as a security zone, where reinvestment decisions were made in Jakarta without regard for local welfare needs (Davidson, 2008, pp. 85, 95; Eilenberg, 2011, p. 1440). What mattered between Sarawak and West Kalimantan was not the presence or absence of natural resources, which both had in abundance. The different results emerging in this study are the result of these very different institutional arrangements.

This study argues that different form of center-periphery relations explain subnational development trajectories in resource-rich peripheral territories through the peripheral bargaining power. Periphery with higher bargaining power is more likely to harness resource wealth to spur targeted economic and social development, while those with lower bargaining power and under tighter central control will experience lower development or unequal distribution of benefits.

1.2 Research Objectives

This study aims to establish a causal relationship between center and periphery relations and subnational economic development, specifically the degree to which these relations provide a peripheral bargaining power. The peripheral bargaining power is examined across three dimensions: political orientation of local government, fund allocation and development projects selection.

1.3 Significance of the study

Theoretical Benefits

This study is situated within literature of subnational comparative politics. By focusing on subnational units across national borders, the subnational comparative method holds constant geographic, historical, and ecological conditions, minimizing confounding when making cross-national comparison (Snyder, 2001). Moreover, by studying subnational units directly, researchers can avoid invalid part-to-whole mappings and better understand the dynamic relationships between the center and the periphery (Snyder, 2001, p.99). This approach also resolves the comparative political science problem of having many variables and small N problem.

A broader theoretical contribution of this study can travel to the scholarly discussion on federalism and subnational development. A persistent question is whether regions within federal systems tend to develop faster than regions within unitary systems, because federal arrangements give subnational governments greater peripheral bargaining power with the center. This study does not examine federalism directly but examines the underlying mechanism. It argues that it is not the constitutional of federalism or unitarism that matters, but the varying degree of peripheral bargaining power the center-periphery relationship had.

The findings demonstrated that even with comparable structural conditions, Sarawak's case demonstrated that constitutionally resource authority in a federal system produced genuinely different developmental outcomes compared to the administrative integration into a centralized unitary state. The peripheral bargaining power, whether from constitutional design, electoral necessity, or negotiated incorporation, is a plausible causal factor which shapes subnational developmental trajectories.

Practical Benefits

The findings of this study provide insights for policymakers and government administrators. The finding documents the long-term consequences of centralized extraction and the conditions where peripheral territories can successfully redirect their wealth towards local welfare. It showed the necessity of giving peripheral and border territories genuine fiscal autonomy to ensure that localized resource extraction translates into sustainable local welfare.

1.4 Structure of the Thesis

This thesis is structured into six chapters. Chapter I introduces the research puzzle, present the empirical differences of economic development between Sarawak and West Kalimantan, and the research question and objectives. Chapter II reviews the existing literature on resource endowment explanations and fiscal decentralization, introduces center-periphery relations as the analytical framework, and expands the concept of Peripheral Bargaining Power as the study's main argument. Chapter III presents the

research design, including the operationalization of variables, data collection methods, and the falsifiability conditions. Chapter IV establishes the independent variable by examining the institutional mechanisms that produced high peripheral bargaining power in Sarawak and the mechanisms that prevented West Kalimantan from any meaningful bargaining power. Chapter V presents the empirical findings across three factors: the political orientation of local government, fund allocation, and development projects. It concludes with a comparative outcomes table. Chapter VI answers the research question, discusses the scope and limitations of the study.

CHAPTER II

THEORETICAL FOUNDATION

This chapter examines the scholarly discussion in three steps. First, it examines the existing explanations about development divergence in resource-rich territories and why they cannot fully explain the puzzle. Second, it introduces center-periphery relations as the main framework, based on three operational dimensions in established scholarship. Third, it presents the theoretical proposition and a hypothesis as a guide for the empirical analysis in Chapters IV and V.

2.1 Literature Review

There are important studies that have looked at the reasons why countries with abundant natural resources fail to translate their wealth into long-term development. Auty (2000) has shown that resource-abundant countries have experienced noticeably slower growth than resource-poor countries since the 1960s, which he ascribes to the differences in the quality of governance and the characteristics of the political state (p. 347). To prove this argument, Auty developed two models: competitive industrialization and the staple trap (p. 348). Through a comparison of Malaysia and Ghana, Auty demonstrated that while they both shared similar levels of initial development at independence, Malaysia was able to achieve continued economic growth because of its consensual democracy, which ensured discipline within the market, whereas Ghana became stuck in a staple trap due to its factional oligopoly (p. 355).

Auty's main argument, that the quality of the political arrangements and the political system play a more significant role in determining a country's ability to make use of its resources than the mere presence of those resources, is accepted in this study. However, his study operates at the national level comparing countries. Both Sarawak and West Kalimantan are located within resource-abundant national contexts, meaning national-level governance quality cannot explain divergence between them. The main question, why one peripheral territory developed while the other did not, requires a subnational level of analysis that Auty's framework does not provide.

A second body of the literature examines the institutional arrangements between central and subnational governments. When the country decentralizes its political authority from the central to the subnational governments, who will gain more power and what is the expected impact on the autonomy of local government? Falleti's (2010) work on intergovernmental balance of power argues that it depends on sequence or order and what type decentralization comes first and how their political bargaining unfolds. She classified decentralization into three categories: administrative decentralization, which occurs through transferring social service delivery responsibility, like education health and social welfare to subnational governments; fiscal decentralization, which increases the revenue or fiscal authority available to subnational governments; and political decentralization, which occurs by transferring authority through constitutional or electoral procedures, thus it creates a space for representation of subnational polities (pp. 35- 38).

Central governments prefer administrative decentralization over fiscal and political decentralization because handing over service delivery responsibilities without transferring revenues allows the center to retain political control over subnational governments (Falleti, 2010, p. 44). When decentralization is initiated by the national executive, it therefore often results in unfunded administrative decentralization, in which subnational governments assume new responsibilities without receiving the necessary financial resources, creating an environment in which they become increasingly dependent on the national executive and thus reinforcing the power of the central government (Falleti, 2010, pp. 36, 57).

On the other hand, subnational governments prefer political decentralization first and then the fiscal resources, because political autonomy removes the center's ability to appoint and remove local executives, thereby giving subnational governments the bargaining leverage to demand fiscal resources in subsequent rounds of negotiation (Falleti, 2010, p. 45). In Colombia and Brazil, where subnational interests prevailed in the first round of negotiations, political decentralization preceded fiscal

decentralization, enabling subnational governments to access fiscal transfers from a position of established political authority (Falleti, 2010, p. 55)

However, Falleti's framework cannot be directly applied in full to this study. Her theoretical framework is grounded in the post-developmental circumstances of Latin America at a time when central states were devolving authority in the context of a fiscal crisis and democratization (Falleti, 2010, p. 13). The focus of this study is on the initial development of these relationships. One of the principal findings from Falleti's study, that the institutional arrangement of fiscal transfers laid the foundation for the establishment of a level of sub-national autonomy is applied and utilized to the initial development of center–periphery relationships in Borneo. The mechanism is not sequential reform but the initial conditions of the postcolonial settlement.

The subnational resource curse literature confirms this institutionalist logic at a closer level of analysis. Giraudy, Moncada and Snyder (2019) discuss how some causal mechanisms found in the national-level resource curse literature require modification when applied subnationally (p. 15). According to Díaz-Rioseco (2016, as cited in Giraudy et al., 2019, p. 16), in the Argentine provinces, it is not resource wealth per se but rather the institutional framework of how resource revenues are shared among government levels, what he called “rent-sharing regimes”, that determines whether a region experiences political contestation or political entrenchment. This confirms the basic premise of this study: that it is not the endowment of resources but the fiscal institutional arrangement between center and periphery that determines how resources are used. Yet, this literature identifies the mechanism at the level of fiscal design without explaining what determines the bargaining position that produced that design in the first place. For that explanation, this study turns to the foundational literature on center-periphery relations.

Before proceeding, this study identifies “Center” as the national government: Kuala Lumpur in Malaysia and Jakarta in Indonesia. The “Periphery” refers to the subnational border territories, located at the geographic and political margins of the national state:

Sarawak and West Kalimantan respectively. Center-Periphery relations refer to the institutional arrangements determining how the central state governs, and how the peripheral territory relates to the center.

The foundational literature on center-periphery relations establishes that this inequality is not accidental but built into the architecture of state formation itself. Rokkan and Urwin (1983) defined the concept of “the Centre” as a privileged location within a territory where key military, administrative, economic, and cultural resources holders frequently meet, with established arenas for deliberation, negotiations and decisions-making (p.5). On the contrary the concept of “Periphery” refers to a dependent territory, controlling at best only its own resources and more exposed to fluctuations in long-distance markets, isolated from all other regions except the central one, and contributing little to the total flow of communication within the territory (p.5). This relationship operates across three different dimensions: political control, economic dominance, and cultural standardization (Rokkan and Urwin, 1983, p. 5).

In clarifying Rokkan’s concept of center and periphery, Langholm, (1971, p. 276) argues that center-periphery relations should be understood especially as a dimension of accessibility, that is, the structural capacity of peripheral actors to access and influence the political decision-making center, rather than simply as a measure of economic rank or geographic distance.

Rokkan and Urwin (1983) further distinguish between two strategies states use to manage their peripheries. Centralizing strategies incorporate all regions and peripheries under one universal system of standardization. Strategies of federalizing accommodation, by contrast, allow peripheries to retain “some guarantees for the protection and survival of their basic cultural distinctiveness as well as some autonomy in decision-making” (p. 6). Although Rokkan and Urwin created this typology in the context of forming Western European states, the difference between centralizing and accommodating strategies of incorporation is relevant beyond Europe. Rokkan's framework provides the basis for the structural geography of center-periphery relations

and the range of state's strategies to manage their peripheries. What it does not provide is the mechanism that explains why the same structural positions produce different outcomes in different cases and why some peripheries secure resources and development while others do not.

Mabogunje (1980, p. 282) identifies that mechanism as bargaining power. Center-periphery relations are traditionally defined by a "domination model", where the center dominates the periphery because of its size and superior structure and, most importantly, its greater bargaining power (Mabogunje, 1980 p. 282). Mabogunje identifies bargaining power as one of the factors of global center periphery relations (developed versus undeveloped nations), arguing that a party's bargaining power increases with its ability to alter its opponent's preferences and/or to control the alternatives open to the opponent (Mabogunje, 1980 p.282). Critically, power asymmetry would diminish when the local politicians are involved fully in the decision making process of the center (Mabogunje, 1980, p.283).

In the "Center-Periphery Bargaining in the Age of Democracy," Siroky, Mueller and Hechter (2016) develop an analytical model of this mechanism, explaining that the center will only give concessions to a periphery if both of the following conditions are satisfied: first, the periphery needs an exit threat; second, the center needs to depend on the periphery (Siroky et al., 2016, p. 441). When both conditions are met, the periphery can use voice, and the center will respond with concessions. When either condition is absent, the center ignores peripheral demands regardless of how great those demands are (p. 441, Table 2). This specification explains the micro-level mechanism that supports Mabogunje's (1980, p. 282) observation that bargaining power is the most important variable in center-periphery relations and specifies when and why that bargaining power produces developmental returns to the periphery.

Together, these foundational framework contributions establish the structural framework and the mechanism. First, center-periphery inequality is structural, not incidental (Rokkan and Urwin, 1983). Second, this relationship is determined by

bargaining power, which operates only when the periphery has a credible exit threat and the center is dependent on what the periphery controls (Mabogunje, 1980, p. 282; Siroky et al., 2016, p. 441). What the foundational literature does not provide is an account of how different levels of this bargaining power produce different developmental trajectories in resource-rich peripheral territories, nor a method to examine these trajectories comparatively. For that, this study turns to the subnational comparative literature.

A subnational perspective brings into focus actors, institutions, and outcomes that national-level research consistently neglects (Giraudy, Moncada, & Snyder, 2019, p. 3). For instance, Acemoglu and Robinson (2012, as cited in Giraudy et al., 2019, p. 4) demonstrate through the adjacent border cities of Nogales, Arizona, and Nogales, Mexico, neighboring cities with shared social, political, and cultural characteristics can produce divergent outcomes if they are located within distinct national political and economic institutional contexts. According to the authors, these institutional differences explain the stark differences in security, equity, provision of public goods, and the quality of democracy. This closer matching allows researchers to assess more confidently the effects of differing institutional and policy environments (Giraudy et al., 2019, p. 29).

Scholars have noted that national-level democratization or authoritarian consolidation does not automatically produce uniform political conditions at the subnational level. Giraudy et al. (2019, p. 9) document that subnational authoritarian regimes can persist within otherwise democratic national systems. In democratic countries, authoritarian subnational regimes are sustained precisely because they deliver political support to national leaders. This dynamic is called “regime juxtaposition” by Gibson (2005, as cited in Giraudy et al., 2019, p. 9). According to Snyder (2001), politicians at the national level frequently form special coalitions with sub-national actors, either for the purposes of implementing policies or remaining in power. A national-level approach may mask how national political and economic stability often is dependent upon the accommodation of sub-national elites in peripheral regions (Snyder, 2001 pp. 100-

101). Hence, understanding how the central state chooses to provide either greater or less power at or to the various peripheries is key in understanding how the central state maintains the political coalitions of its national coalition partners.

Boone (2003) has extended this analysis to African states and has demonstrated that the developmental orientation of local governments is based on the extent to which the subnational government is locally based or centrally appointed. It reflects the type of relations between central and local governments rather than political choices at the level of individual actors. This finding connects directly to the first analytical dimension below, that the political orientation of the subnational government is itself a product of institutional structure.

However, Boone's observation about the structural nature of political orientation must not be construed to mean that locally based elites are always benevolent. According to Hadiz (2010, pp. 3, 27), Indonesia's decentralization after 1998 was exploited by local interests that had been cultivated during the era of the New Order in order to maintain their hold of power, instead of using it for welfare purposes. In light of this, it is important to point out that no assumption of local elites being benevolent is made in this study. Instead, the claim here is much more limited and holds that depending on the structure of accountability in which the local elite's function, their interest may or may not align with the welfare of the populations.

The existing literature on Malaysia and Indonesia regional politics has examined the institutional context in which Sarawak and West Kalimantan functioned but have not theorized the developmental consequences of these arrangements in comparative terms. Hutchinson (2017) documents Malaysia's consistent centralization drive at the national level, which significantly hollowed out state-level administrative and fiscal responsibilities. (pp.309-310). Moreso, that state chief minister in UMNO depend on national party leader for their career advancement and political survival (pp. 309-310). Regarding Indonesia, Hutchinson (2017) reports that the center accounted for 96 percent of total government revenue at the center, while the provincial governments

and local governments raised 2.8 percent and 1.1 percent of total revenue respectively (p. 302). Moreover, he mentioned that provincial government functioned as agents of central state coordination than as representatives of local interest, with positions generally went to a military officer mostly from Java rather than an individual with local roots (Hutchinson, 2017, p. 315).

However, Hutchinson's framework analyzes these patterns at the national level across both countries simultaneously and does not examine how individual territories, specifically Sarawak and West Kalimantan, negotiated their positions within these respective systems, nor does it trace the developmental consequences of these different arrangements for peripheral resource-rich territories sharing the same island.

The gap in existing scholarship is clear: the literature on the subnational resource curse concludes that fiscal institutional arrangements are more important than the abundance of resources. The subnational political regimes literature confirms that the orientation of local elites is structurally determined. The center-periphery literature establishes structural inequality and identifies bargaining power as one important mechanism. No study has brought these three insights together within a single analytical framework and applied it comparatively to resource-rich peripheral territories in Southeast Asia. The absence of comparative studies on Sarawak and West Kalimantan reflects the broader underuse of between-nation subnational comparison in Southeast Asian political research identified by Snyder (2001, p. 96). This is a methodological gap this study directly addresses.

2.2 Theoretical Framework

This study's core theoretical proposition is that center-periphery relations vary in the degree to which they grant Peripheral Bargaining Power to the subnational government. Relations that give the periphery large room for bargaining enable peripheral governments to secure proportional resource revenue, negotiate development priorities, and staff local government with locally oriented actors. Relations that give no such room produce the outward flow of resource wealth to the center, leaving the peripheral

territory to bear the costs of extraction without equal developmental returns. I argue that the form of this relationship is between the developmental divergence in Sarawak and West Kalimantan is a causal relation. This proposition is observable through three analytical dimensions, each grounded in established scholarly debates.

Dimension 1: Political Orientation of Local Government

The first analytical dimension concerns the political orientation of local government, comparing between locally rooted elites and centrally appointed agents. When local elites possess access to central decision-making through electoral influence, constitutional authority, or negotiated inclusion, they can shape the terms of resource distribution; when they are excluded from these processes, resource flows remain subject to central control. Orientation in this sense is a structural property, not a moral one: as established in the literature review, a locally oriented elite may be entirely self-interested (Hadiz, 2010); the dimension captures whose approval its survival requires, not the quality of its intentions.

According to Boone (2003), center-periphery relations create various forms of institution-building in resource-rich areas. Drawing from resource-rich countries in West Africa, she provides a comparative view of the different types of institutional strategies that rulers employ, depending on the bargaining power and interests of the local elites: (1) power sharing, whereby local elites retain independent political standing and are granted authority by the central government; (2) usurpation, whereby the central government has strong presence in the region and destroys the power of local elites; (3) administrative occupation, whereby a central authority governs the local area from a small number of strategic outposts, with great independence from local pressures and influences; and (4) non-incorporation, in which the central government does not seek to engage or impose, and thus does not actively exercise authority (Boone, 2003, p. 33).

A critical distinction in Boone's (2003, p. 29) analysis is that, where local political elites can provide credible political cooperation, in the forms of votes, acquiescence, and

collective action, their bargaining power relative to the central government is high, and power-sharing arrangements emerge. In contrast, when local elites are unable to provide credible political cooperation, the central government adopts administrative occupation. Hence, the key distinction between power-sharing and administrative occupation provides the empirical referents for this study's two values of Peripheral Bargaining Power.

Harguindéguy et al. (2025, p. 590) develop a typology distinguishing between regional ambassadors: locally oriented elites with direct access to central institutions who translate local demands upward and secure resources for their territory, and remote brokers: center oriented elites with closed access who can only implement central interest without genuine local authority from their peripheral constituency. The key question investigated in this dimension is: are local political actors oriented toward the developmental interests of their territory, or toward implementing the directives of the central state, and is this orientation a product of the institutional structure of the center-periphery relationship?

To examine the political orientation, one can see from the mode of appointment the subnational government is elected. If a subnational government is appointed by the national or central government, their political survival depends on central directives or approval rather than representing local interest. However, if the local government is elected, its political survival depends on the local constituencies, so there is an incentive to represent local interest. Falletti (2010, pp.44-45) documents from four Latin American cases: in Argentina and Mexico, where the national executive retained significant control over subnational appointments, provincial governments remained oriented toward central compliance. In Colombia and Brazil, where political decentralization produced genuinely elected subnational executives, governors and mayors developed independent political bases and pressed for resources to serve local populations (Falletti, 2010, pp. 44–45).

Dimension 2: Fund Allocation

The second dimension examines the distribution of revenue and fund allocation between the central and peripheral governments. It addresses who gets how much, on what terms and with what authority the peripheral government has to spend it. These questions determine whether subnational governments operate as an independent actors or as administrative agents for central government priorities.

Falleti (2010, p. 37) specifies that a significant time lag between the transfer of administrative responsibilities to subnational governments and the provision of corresponding fiscal resources most likely indicates that the national government retains the upper hand in the intergovernmental relationship. The subnational governments take on responsibilities without enough resources to meet them, and in doing so, enters every bargaining from a structurally disadvantaged position. It needs the center more than the center depends on it.

The form of fiscal transfer matters as much as its size. Falleti (2010, p. 38) demonstrates that automatic transfers: those arriving independently of political negotiation, give subnational governments genuine room to act. They can plan, commit, and spend without waiting to see what the center decides to release that year. When a peripheral government receives automatic, formula-based transfers, it gains something more than money: the ability to function as a developmental agency, directing resources toward locally determined priorities across successive plan periods, regardless of the political tensions between center and periphery at any given moment.

This study applies Falleti's framework to a different problem than she originally addressed. Her concern was with Latin American countries reforming their intergovernmental systems over time through sequential policy change. This study is concerned with something more fundamental: the initial fiscal settlement between center and periphery at the moment of postcolonial state formation. Falleti measures changes in intergovernmental power. This study measures what those arrangements produced on the ground, whether peripheral governments actually reduced poverty, built infrastructure, and raised incomes across the study period.

Falleti (2010) identifies two things: automatic transfers strengthen autonomy (2010, p. 38) and unfunded administrative decentralization produces dependency (2010, p. 57). This study draws that line. On one side sits constitutionally embedded, formula-based transfers that are guaranteed and can be planned around. On the other side sits discretionary fiscal dependency: transfers contingent on central goodwill, allocation through formulas the periphery had no hand in designing, and incontestable by governments that lack recognized bargaining standing. The first condition produces development capacity: the ability to sustain poverty reduction, income growth and population-serving infrastructure. The second produces developmental dependency, even where the peripheral territory has substantial natural resource wealth but lacks institutional standing to demand it.

Dimension 3: Development Projects

The third dimension examines how center-periphery relations determine whether infrastructure reaches the population and connect communities to markets and service or whether it serve center's decision to extract and priorities security while leaving peripheral population disconnected. The question this dimension asks is what projects within peripheral territories gets built, and according to whose priorities?

Falleti (2010, p. 61) specifies policy-making authority, the degree to which subnational governments control decisions about public service delivery and infrastructure as a core dimension of intergovernmental power. Where this authority is centralized, what gets built and where is determined by the national executive according to its own priorities. The subnational government receives what the center decides it needs. Where decision-making power is shared, the subnational governments negotiate the type, location and projects that reflect developmental priorities rather than security or administrative concerns.

In the literature on distributive politics, Golden and Min (2013) argue that the allocation of public goods: roads, electricity, transfers go where politics sends them, not where welfare needs. In democratic systems, electoral accountability pushes politicians to

direct goods toward voters, not to welfare-maximizing outcomes (Golden & Min, 2013, p. 74). In non-democratic regimes, that pressure disappears. Leaders extract rents rather than invest in population welfare (Golden & Min, 2013, p. 75). The mechanism is accountability: investment follows electoral logic where governments face electoral consequences for infrastructure decisions - where they do not, it follows elite interests and rent extraction instead (Golden & Min, 2013, p. 75).

Golden and Min explicitly acknowledge that their framework has limited purchase in non-democratic settings, where data on government allocations are largely absent (Golden & Min, 2013, p. 75). This study works precisely in that space. What determined infrastructure orientation in the two cases examined here was not electoral accountability alone but the bargaining power of the peripheral government to negotiate the direction of investment. Peripheral Bargaining Power, not regime type, is what determines whether infrastructure serves the population or the center.

Peripheral Bargaining Power (IV) → Subnational Development Outcome (DV). This relationship is operationalized across three dimensions as shown in Table 2.

Table 2.1. Operationalization of center-periphery relations across three dimensions

Dimension	High Peripheral Bargaining Power	Low Peripheral Bargaining Power
Political orientation of local government	Locally elected elites with constitutionally independent authority over resources and development projects	Centrally appointed administrators with no authority to challenge central decisions
Fund allocation	Constitutionally embedded transfer and revenue sharing; proportional resource revenue returned; local governments	Limited, discretionary transfers; peripheral government has no local control over wealth generated within its territory and no mechanism to

	control fund use based on local needs	contest centrally determined allocation
Development projects	Periphery negotiates type, location, and direction of development; infrastructure serves population connectivity and local needs.	Periphery cannot contest or redirect investment; center decides projects unilaterally; infrastructure oriented toward extraction and security

Source: Author's production

2.3 Argument and Hypothesis

Based on the theoretical proposition above, this study proposes the following hypothesis.

H1: Center-periphery relations explain the subnational development. Center-periphery relations that provide high peripheral bargaining power, manifested through locally oriented political actors with genuine authority, proportional resource revenue returns, and locally negotiated development projects both from own revenues and from centrally directed investment, will produce positive subnational developmental outcomes. Conversely, center-periphery relations that indicate low Peripheral Bargaining Power, demonstrated through centrally appointed compliance agents in local government, limited fiscal transfers with no local allocation control, development projects determined unilaterally by the center oriented toward extraction and security, will produce limited and extractive development outcomes.

CHAPTER III

RESEARCH DESIGN

3.1 Research Method and Case Selection

This study employs a qualitative historical comparative method with the Method of Difference as its main methodology framework (Skocpol and Sommers, 1980, p 184). The research question, why and how the development trajectories of Sarawak and West-Kalimantan diverge, requires systematic and of small number of comparisons. According to Snyder (2001, p.105) subnational comparative analysis is an indispensable tool to understand the decentralizing political and economic trends of the contemporary era. His distinction of the within-nation and between-nation subnational comparison is the foundation for comparing subnational units Sarawak and West Kalimantan, embedded in different national systems.

Table 3.1. Overall similarities and crucial differences in the method of difference

Sarawak	West Kalimantan
(C ¹) Province on the Borneo Island, has equatorial rainforest, riverine terrain, and coastal lowlands, share border with West Kalimantan	(C ¹) Province on the Borneo Island, has equatorial rainforest, riverine terrain, and coastal lowlands, share border with Sarawak
(C ²) Rich in natural resource: timber	(C ²) Rich in natural resource: timber,
(C ³) Demographic: Indigenous land Dayak, Melayu, Chinese	(C ³) Demographic: Indigenous land Dayak, Melayu, Chinese
(C ⁴) Experienced post-colonial communist insurgency and <i>Konfrontasi</i> in the 1960s.	(C ⁴) Experienced post-colonial communist insurgency and <i>Konfrontasi</i> in the 1960s.
(X) High peripheral bargaining power	(not X) Low peripheral bargaining power
(Y) High Development	(not Y) Low Development

Source: Author's operationalization

I chose Sarawak and West-Kalimantan because both are borderland regions with overall comparable features. Both are in the same island Borneo with similar environment and climate, have abundant resource endowments, and share similar demographic: Indigenous Dayak, Iban, Chinese and Muslim. After their independence, both faced similar instability the post-colonial security from communist insurgencies and *Konfrontasi* between in 1963-1966.

On the edge of the state, border areas are theoretically significant examples of the center-periphery relations because they sit furthest away from the central, and therefore experience these dynamics most intensely. If the main argument that center-periphery relations shape developmental outcomes, applicable in border regions, it is likely to apply in less peripheral locations as well.

Sarawak is selected in preference to Sabah as Malaysia's other Bornean state, for theoretically specific reason that strengthens the comparative logic of the study. Unlike Sabah, where the United Malays National Organization (UMNO) eventually penetrated directly and displaced locally rooted political leadership, Sarawak maintained a locally led coalition government, the *Parti Pesaka Bumiputera Bersatu* (PBB) led coalition within Barisan Nasional Sarawak, throughout the study period.

The study period runs from 1980 to 2000. The lower bound of 1980 marks three things simultaneously: the ascension of Taib Mahmud as Chief Minister of Sarawak, the fully institutionalization power-sharing agreement, and the beginning of Malaysia's Fourth Malaysia Plan, which provides the primary documentary record of federal development allocations to Sarawak. The end point set in year 2000 incorporates entire developmental outcome path that began in the early 1980s.

The 1980–2000 period captures the full arc of institutional consolidation and developmental outcomes based on the respective agreement between the center-periphery. The justification for 2000 being an endpoint comes from the New Order's

fall in May 1998, which changed fundamentally the way West Kalimantan interacted with central government because of decentralization reforms to Indonesia's government. Because of the change in structure of the relationships between these regions and national government, this complex and significant change also requires its own theoretical analysis, and therefore falls outside of this study.

3.2 Data and Data Sources

The data used in this study comes from three different sources, including primary planning documents, archives, and secondary sources. The independent variable of peripheral bargaining power is assessed in terms of three dimensions, each requiring specific evidence documented in each of the units of measurement.

The first dimension, Political Orientation of Local Government is measured by analyzing the mode of appointment of local executives, their origins, and the degree of their local institutional autonomy over resource policy. Primary sources are Malaysia Agreement 1963, gubernatorial records under the Dwi Fungsi's doctrine and secondary source from Davidson (2008).

The second dimension, Fund Allocation, is measured through the subnational share of national development allocations across consecutive development and economy plans, own sources revenue, as well as proportion of total provincial expenditure. Primary sources are The Fourth to Seventh Malaysia Plans, the Five-Year Development Plans (REPELITA III-VI), Nota Keuangan volumes (1980-2000), and BPS Kalimantan Barat Dalam Angka (1980-2000).

The third dimensions, Infrastructural Integration is measured through kilometers of paved road as a proportion of the total network, rural electrification rates; and the character of port and energy development. Primary sources are The Fourth to Seventh Malaysia Plans, the Five-Year Development Plans (REPELITA III-VI), Nota Keuangan volumes (1980-2000), and BPS Kalimantan Barat Dalam Angka (1980-2000), Asian Development Bank (2014, p.27), and secondary source from Hazis (2009).

The dependent variable of the study, development outcomes, is assessed based on whether each region has converted its natural resource wealth into tangible improvements in welfare, by using three measures of development outcome: income per capita, percentage decline of total poverty, and number of new infrastructure projects serving population of each territory.

3.3 Data Collection Methods

Data collection drew on was three methods: systematic document analysis, archival research, and cross source triangulation. Malaysian planning documents were obtained from Economic Planning Unit covering the Fourth to Seventh Malaysia Plans. Indonesian planning documents were obtained from Nota Keuangan and RAPBN volumes from 1980-2000, BPS Kalimantan Barat Dalam Angka from the online archive, and BPS national poverty publications.

Archival research was conducted at ANRI (National Archives of the Republic Indonesia) in Jakarta in April 2026, where Indonesia's REPELITA planning documents and Bappenas provincial planning archives (Arsip Numbers 362, 368, 377) were accessed directly. These documents provided provincial economy data, including provincial PDRB growth, road networks conditions, are and population figures.

Cross-checked Triangulation was conducted to compare the data across multiple sources, where the same indicator appeared in multiple documents. Provincial GDP/PDRB appeared both in BPS Kalimantan Barat Dalam Angka and Nota Keuangan provincial series, and poverty number appeared in BPS different year publications. Discrepancies were noted and resolved where it possible.

3.4 Data Analysis

Data analysis employs process tracing to identify and confirm causal mechanism within each case. Following Beach and Pedersen (2013), the process tracing analysis looks for three sequentially ordered types of evidence that together confirm the causal chain.

The first type is evidence of the form of center and periphery settlements: documents establishing the fiscal, subnational governance, and resource revenue terms of each arrangement at the moment of institutionalization. For Sarawak, these are the Malaysia Agreement 1963, the Petroleum Development Act 1974, and consecutive Malaysia Plan. For West Kalimantan, it includes the REPELITA documents, gubernatorial appointment records under the Dual Function (*Dwifungsi*) doctrine, the Basic Forestry Law No. 5/1967.

The second type of evidence is data regarding the flow of resources from the center to the periphery; budget allocation data from the Malaysian Plan and the REPELITA are provided to show if development expenditures flowed to peripheral populations. Records of timber concessions, oil royalties are used to determine if high nominal growth equates to high provincial fiscal returns rates.

The third type of evidence consists of developmental outcome measurements including infrastructure coverage data, electrification rates, and growth in poverty reduction from the economic planning documents of Kalimantan Barat (BPS Kalimantan Barat Dalam Angka and Malaysian Economic Planning), ADB (2014), and BPS national publications.

This study can be falsified if the local government of Sarawak had no power over fiscal policy or infrastructure decisions during the study period. It also falsified if the federal government provided development allocations to Sarawak were lower than those provided to West Kalimantan or if development allocations for Sarawak were based solely on federal discretion, without any evidence of negotiation or bargaining. If West Kalimantan received comparable development allocations to Sarawak's during the period, it would also weaken the thesis; as well as if the local government of West Kalimantan was genuinely from the local population and exercised true developmental autonomy.

CHAPTER IV

PERIPHERAL BARGAINING POWER

This chapter examines the degree of peripheral bargaining power each periphery held at the founding moment. It examines three aspects: the shared developmental baseline, the context and conditions that produced high peripheral bargaining power in Sarawak, and the conditions and background that prevented West Kalimantan from acquiring any bargaining power.

While West Kalimantan received provincial status in 1957 (Eilenberg, 2011, p. 1429) and Sarawak joined Malaysia in 1963 (Tilman, 1964, p. 412), the 1960s established constitutionally different institutional conditions in each territory. The formation of the Malaysian Federation created a pretext for the armed conflict (*Konfrontasi*) between Malaysia and Indonesia along the border from 1963 to 1966 (Eilenberg, 2011, pp. 1433-1434). The conflict motivated Malaysia to offer Sarawak development incentives to encourage the region's full integration with the federal government (Hazis, 2009, p.92), while causing Indonesia to militarize heavily along its borders (Eilenberg, 2011, p.1439). Both provinces experienced the PGRS/PARAKU communist insurgency into the 1970s, which resulted in more security driven policies being implemented (Eilenberg, 2011, p. 1447). Therefore, Sarawak and West Kalimantan entered their respective national system at comparably the same historical moment in the early 1960s, under comparable security pressure.

4.1 High Peripheral Bargaining Power: Sarawak's Institutional and Electoral Leverage

Sarawak entered the study period with high peripheral bargaining power grounded in three important factors: constitutional resource authority, formula based fiscal allocation, and its electoral indispensability to the federal coalition. Each of these

factors was the result of Sarawak's negotiation as a condition of joining the Malaysian Federation in 1963 (Chin, 1997, pp. 99–100; Ostwald, 2017, pp. 497–499).

These constitutional protections were not simply given; they were the negotiated price of Sarawak's inclusion in the federation. Sarawak entered as a large, populous, ethnically distinct territory, non-Malay-majority, with no history of Malay sultanate rule, joining as a condition of the federation's formation, not as an existing state absorbed into an established constitutional order (Chin, 1997, pp. 99–100). This gave Sarawak's representatives real leverage at the 1962 Inter-Governmental Committee negotiations: their consent was itself necessary for the federation to form. Sarawak's geographic separation from the peninsula by the South China Sea reinforced this leverage, since Kuala Lumpur could not administer Sarawak's land, resources, or population movements directly as it could a contiguous peninsular state. The Ninth Schedule's protections and Sarawak's retained control over immigration (Ostwald, 2017, pp. 497–499) are therefore the institutional expression of this founding bargain: distance and distinctiveness made direct central administration costly, while Sarawak's necessity to the federation's formation made central concession likely.

First, the constitutional resource authority provided Sarawak with more authority over its resources. The agreement between the British and Malayan governments during the Inter-Governmental Committee meeting in 1962, granted Sarawak autonomy over its financial dealings, including state-controlled finance and developmental spending, as well as tariffs, and control of entry by people from foreign countries or areas (Chin, 1997, pp.100-101). The 1963 Malaysia Agreement established the conditions for Sarawak and Sabah to join the federation. The Agreement ensured Sarawak's control over its land, agriculture, and forestry, as enumerated under the Federal Constitution Ninth Schedule, in addition to exercising some control over their immigration (Ostwald, 2017, pp. 497-499). As Hazis (2009, p.92) documented, that this integration promised Sarawak substantial federal development funds as an incentive for its loyalty. Because of this constitutional framework, the state government in Kuching retained the authority to grant timber concessions.

One major exception to subnational control over natural resources was the Petroleum Development Act 1974, which allowed the federal government to control oil and gas revenues and provided Sarawak with only 5 percent in oil royalties (Ostwald, 2017, p. 500; Hazis, 2009, p.105). As identified by Ostwald (2017, p. 488), even though Malaysia is a “highly centralized” system by nature, Sarawak’s constitutional exemptions allow its state leaders to have some institutional power that the Peninsular states do not have. The direct effect was that Sarawak controlled its primary natural resource, timber, without requiring federal approval, giving it an independent economic base from which to bargain.

Second, Sarawak’s fiscal resources were supported by a formula-based fiscal allocation that protected its funding from central government discretion. Malaysia is highly centralized, in terms of both revenue powers, and expenditure responsibilities. The federal government shares few of its major sources of revenue with the states and leaves them to depend heavily on federal transfers and loans (Anuar, 2000, pp.85,92). However, within Malaysia’s centralized system, Sarawak retained additional constitutional revenue powers, which the other Peninsular States do not have access to, including export duties on timber and petroleum products (Anuar, 2000, p. 87, Table 1).

This additional revenue authority mattered because it gave Sarawak a fiscal base that did not depend entirely on Kuala Lumpur’s goodwill. Furthermore, development grants by the federal government were allocated based on a formula basis, including, population size and GDP, rather than purely on political discretion (Anuar, 2000, p.88). Together, these arrangements gave Sarawak a secure and protected fiscal position that did not depend on maintaining political favor with the federal center.

Third, Sarawak’s local elites used their electoral indispensability to secure greater freedom from federal interference. The United Malays National Organization (UMNO) created tight internal hierarchies through which state chief ministers were completely dependent on national leaders in Kuala Lumpur for their political support and career

advancement, thereby limiting genuine state autonomy (Hutchinson, 2017, pp. 309-310). However, Sarawak operated through regional parties, which provided the local elites with genuine political agency to engage with the center, while Sabah, having been assimilated into the UMNO hierarchy, lacked such an opportunity (Hutchinson, 2017, p. 323).

Chin (2004, p. 8) documents that Taib's coalition in Sarawak always delivered over 90 percent of its parliamentary seats to the federal *Barisan Nasional*, including all 28 seats in the 1999 election, and that the Barisan would have lost its critical two thirds parliamentary majority in 1990 and 1999 if not for Sarawak's support. This electoral indispensability allowed the Chief Minister to exert significant political leverage to maintain the state's developmental autonomy. These arrangements resulted in a formal policy of "hands-off" from Kuala Lumpur: so long as the Sarawak coalition provided seats to the federal Barisan Nasional in parliament, the federal government would not directly intervene in the internal political affairs of Sarawak (Chin, 1997, p. 102; Chin, 2004, p. 8).

This dependency is not merely a perceived or rhetorical threat, but it is structurally rooted in the architecture of the political system itself. In Malaysian political history, there has never been any single party rule at the federal level, and only coalitions come to power; except UMNO in 2004, all government have been coalitions government. By virtue of this, Sarawak is in a powerful position because, even though it provides only 30-40 percent seats at the federal level, these seats are enough to keep the government in power and to give a government two-third majority representation needed in parliament. This structural dependence gives the exit threat real teeth: any government that alienated Sarawak risked losing that majority power. Indonesia's centralized unitary system had no equivalent mechanism on the provincial side, no province's parliamentary support was structurally necessary for the center's executive survival¹⁵.

¹⁵ Farish A. Noor, 24. June 2026

It is also important to consider Sarawak's bargaining position with the previous experience of the separation of Singapore from the federation in 1965. That event became another concern for the people of Kuala Lumpur because it questioned the cohesion of the federation, thus strengthening the position of those centralizers who believed that timely interference and tough policy were needed to prevent any more separations (Chin, 1997, p. 97). The case of Singapore had strengthened Kuala Lumpur's hand but also gave it a reason to prevent the further territorial loss, particularly ones that gave Barisan Nasional its majority in parliament.

Sarawak's bargaining power was not something that remained fixed in 1963, but it was reinforced at every election cycle throughout the period of the study. In every federal election, the exchange described above remained intact: the Sarawak coalition provided its seats, and the center, for its part, maintained the same constitutional and fiscal framework and abstained from penetrating the state politically. As the composition of the coalition had not changed between 1981 and 2000 (the two-thirds majority of Barisan Nasional relied on the delivery of Sarawak's seats), any attempt to alter the terms of the bargain unilaterally on the part of Kuala Lumpur would have put its own position in parliament into danger. The conditional aspect identified by Chin (1997, pp. 113–114) constituted the other part of the reproduction mechanism: Taib's constant compliance with respect to key interests of the federal government provided the center with no reason to resort to the alternative it chose in the case of Sabah after 1990, namely, to penetrate the state directly through UMNO.

Based on these supporting conditions, Sarawak's political constitutional authority and electoral indispensability resulted in Sarawak's high peripheral bargaining power that no other Malaysian state outside Sabah held.

4.2 Low Peripheral Bargaining Power: Administrative Occupation in West Kalimantan in Indonesia Unitary State

A clear difference to Sarawak's conditions, West Kalimantan entered the study period without any meaningful bargaining power. It had none of Sarawak's mechanisms: its

governors were centrally appointed military officials with no constitutional authority over resources, no formula-driven fiscal entitlement, and no ability to negotiate with Jakarta through an electoral process. These structural conditions created the absence of peripheral bargaining power: the lack of constitutional resource authority; the use of a fully discretionary fiscal transfer system; and the replacement of locally accountable leaders with centrally assigned military administrators.

First, West Kalimantan had no constitutional resource authority. Unlike Sarawak, which entered the Malaysian Federation with constitutional guarantees of land, forestry, and financial matters, West Kalimantan did not have such guarantees. In comparison to the federal structure of Malaysia, Indonesia, during Soeharto's New Order (1966-1998), was a unitary state with strong centralized control of the country. No equivalent of the Malaysia Agreement existed for West Kalimantan. There was no constitutional protection of provincial resource authority, no negotiated autonomy over land or forestry, and no formula protecting the province's share of revenues generated within its borders. As a direct result, West Kalimantan's natural resource wealth, primarily timber, was controlled and extracted by Jakarta without any constitutional obligation to return the revenue to the province.

Second, West Kalimantan was subjected to fully discretionary fiscal transfers that reduced the province's control over its own investment capacity. West Kalimantan's fiscal transfers were entirely discretionary. Hutchinson (2017) documents that Indonesia's New Order developed strong concentrations of financial power, including taxation, with the central government levying 96 percent of total government revenue before any redistribution. Development funding was distributed through REPELITA and Inpres systems, based on priorities determined by Jakarta, not provincial governments (Hutchinson, 2017, p. 302). Discretionary transfers, unlike formula-based grants, can be withheld, redirected, or made conditional on political compliance. A province like West Kalimantan, with no constitutional revenue base and no formula-based entitlement, had no fiscal protection whatsoever. It had no investment capacity independent of Jakarta's goodwill at any point in the study period.

Third, the province was administratively occupied by centrally appointed military administrators. The New Order governed West Kalimantan through the military's dual-function (*Dwifungsi*) doctrine, which legally permitted the Indonesian Armed Forces to play a dominant role in local civilian administration (Davidson, 2008, p. 93). In July 1967, General Soeharto initiated a program titled Consolidation and Development (*Konsolidasi dan Pembangunan*) aimed at converting the Chinese and Dayak populations of West Kalimantan into loyal citizens through state-led development (Davidson, 2008, p. 104). The replacement of existing local leadership with Jakarta-appointed military administrators was treated as an “absolute requisite” (*syarat mutlak*) for state-building under this program (Davidson, 2008, p. 106).

The New Order's administrative architecture imposed a standardized, vertically structured government across the country, in which provincial governors served as coordinating agents of the central state rather than representatives of provincial interests. The central government institutionalized the military's role in civilian administration, treating the province as a security zone, the designated “Eastern Sector”, to suppress insurgency. Under Undang-Undang No. 5/1974 (Pasal 23), all governors and district heads during the New Order were drawn from within the military (Eilenberg, 2014, p. 9).

These military-appointed governors were not representatives of the province or the local population: they were agents of central Jakarta's security and extraction priorities. Unlike Sarawak's Chief Minister, who required the support of rural-based electorate members to win seats in the national legislature, and therefore had a vested interest in directing investment to the local population, West Kalimantan had no actor capable of negotiating development priorities with the center, and no electoral mechanism that would have created incentives to do so.

Because West Kalimantan's officials were appointed military agents rather than elected representatives, they had no mechanism to negotiate fiscal allocations, infrastructure priorities, or development programs with Jakarta. The New Order treated West Kalimantan as a site of security control and resource extraction, not population welfare,

producing a strictly top-down center-periphery relationship that left the province with zero Peripheral Bargaining Power. How this absence of bargaining power produced the developmental outcomes observed between 1981 and 2000 is analyzed in Chapter V.

Table 4.1. Comparison of the bases peripheral bargaining power

Bases of peripheral bargaining power	Sarawak	West-Kalimantan
Appointment of the leader	Elected Chief Minister through regional part coalition	Centrally appointed military's officers
Constitutional resource authority	Yes, under the Ninth Schedule	None, no constitutional protection over provincial resource's right
Electoral leverage over center	Yes, delivered 90% of its parliamentary seats to BN seats.	None, no electoral mechanism existed.
Exit threat	Yes, credible	None.
Peripheral Bargaining Power (IV)	High	Low

Sources: Author's operationalization

These factors represent the contrasting peripheral bargaining conditions between Sarawak and West-Kalimantan. Together they have produced the developmental outcomes analyzed in Chapter V.

CHAPTER V

RESEARCH FINDINGS

This section presents the empirical results of the three analytical dimensions for Sarawak and West Kalimantan. For each case, it traces how the form of center periphery relations shaped the political orientation of the local government, fund allocation and infrastructure investment. It concludes with comparison about the developmental divergence across the study period.

5.1 Sarawak: Center-Periphery Relations and Development

This section traces how Sarawak's high bargaining power in relations with the federal government in Malaysia produced positive economic development.

Sarawak: Political Orientation of Local Government

Abdul Taib Mahmud ruled as the Chief Minister of Sarawak for the entire duration from 1981-2014. He was the only Chief Minister of this period: one long-term, locally elected leadership as opposed to West Kalimantan's rotational military appointments (Section 5.2). Coalitions of local political parties maintained a continuous monopoly over state governance in Sarawak, with United Malays National Organization (UMNO) remaining absent from the state (Chin, 1997, p. 102). This is the first observable aspect of the first dimension: locally based political leadership that is responsible to a state electorate as opposed to Jakarta and Kuala Lumpur appointed officials.

Taib's constitutional control over timber licensing, established in Chapter IV, translated directly into a political mechanism: timber contracts became a significant patronage tool, creating a class of Bumiputera elites whose power was tightly linked to the Chief Minister's licensing decisions (Hazis, 2009, p. 104). Chin (2004) confirms that concessional timber allocations were a central site of political contestation during the transition from Taib's predecessor, and every political actor in Sarawak knew that logging concessions gave the Chief Minister his independent power.

One significant Taib's governance strategy was the formalization of through the Minor Rural Projects (MRP) Program. The realization of MRP Program followed what Hazis said as "Politics of Development" by using the distribution of development projects as a means both of achieving developmental outcomes and as a political tool (Hazis, 2009, p. 96). The MRP funds were used to construct village roads, build jetties, provide water, and electricity in villages. They increased from RM 3.1 million in 1981 to RM 120 million in 1990, and RM 187.4 million in 2000. In 1987, which was an election year, MRP expenditures hit RM 94.2 million – an increase of 120 percent compared to previous year (Hazis, 2009, p. 98, Table 1). According to Hazis (2009), the political use of MRP's allocation started becoming especially rampant and intensified during Taib's tenure as Chief Minister" (p. 99). It was both patronage and development at the same time, as the provision of infrastructure was essential for the electoral survival in the countryside, the state apparatus had incentive to build such projects. Development programs reached rural populations not despite the patronage system, but through it.

The argument does not imply that Taib governed equitably or that development was distributed according to need. According to Hazis (2009), the internal inequalities of the system were evident. Development was centralized in contested constituencies, to reward the governments' allies, while areas that supported opposition were deprived of any development projects (Hazis, 2009 pp.96, 99-100). The timber concessions, which provided legitimacy and hard cash to Taib's government, enriched Taib and his allies, not the people (Ali 1998 as cited in Hazis, 2009, p. 104). The Bumiputera non-Muslims (Ibans, Dayaks, and Bidayus) remained largely poor throughout the period under study as Iban households still experienced poverty at the rate of 36.4% at the closure of the NEP program in 1990 (Berma, 2003 as cited in Hazis, 2009, p. 109). At the same time, Sarawak continually remained one of the states that had the highest incidence of poverty in Malaysia, ranking sixth in 1999 despite the availability of many resources (Hazis, 2009, p. 108). In this sense, development functioned a domination tool rather than a genuine welfare programs.

This autonomy was conditional and not absolute. As Chin notes, “state autonomy depends on the states falling in line on the core issues” (Chin, 1997, p. 114). Chin (1997) further argues that Taib’s non-confrontational approach enabled a “hands-off” federal stance while. If there were any deviations from this policy, the flow of development funds was cut and the funding would be directed via federal agencies and not the state bureaucracy (Chin, 1997, p. 113). This is clearly seen in the case of Sabah post 1990, when the entry of UMNO replaced local-based bargaining with federal compliance and redirected development funds through federal agencies, illustrates the conditional nature of Sarawak’s autonomy (Chin, 1997).

It must be made clear that the argument is limited in scope. The thesis statement does not suggest that Taib was benevolent or a developmentalist. Corruption under his administration is well-documented, and the patronage of logging that created the instant fortunes for Bumiputera millionaires within Taib's family and his political allies is well-known, not refuted (Alli, 1988, as cited in Hazis, 2009, p. 104). Rather, the argument is that the electoral incentive structure ensured that the Chief Minister's self-interest coincided with provision of rural infrastructure. Survival of the Chief Minister was contingent upon gaining the state constituencies, which were predominantly rural, and this was not just theoretical. In 1987, his coalition lost 20 out of 48 state constituencies and continued to exist only due to an increased allocation of development projects (Hazis, 2009, p. 99). Rural people had the leverage over the Chief Minister in terms of providing him with what he needs and depriving him of it. It is clearly visible from the MRP data: the expenditures increased in election years and decreased in non-election years during the entire study period (Hazis, 2009, pp. 97–98, Table 1).

This pattern cannot exist together with the allocation of resources solely based on developmental criteria, but it also cannot work with a situation when nothing had been delivered in terms of projects. The reason for such arrangement is that political favor or patronage only retains some electoral significance if the actual projects are delivered. In other words, the corruption and the welfare were not contradictory elements; rather,

the former led to the latter. Neither generosity nor transparency is essential to the success of the process, just a leader who depends for his position not on appointments but votes.

This critique is empirically valid and analytically significant, but the argument in this thesis is the overall rate of development of Sarawak relative to West Kalimantan. A poverty rate falling from 56.5 percent in 1976 to 21 percent in 1990 and 6.7 percent by 1999 (Hazis, 2009, p. 108, Table 5) represents a significant and continuous increase in prosperity, and the extent of this level of prosperity is unequal to anything available from the perspective of West Kalimantan's development record.

In this way, local leaders leveraged their ability to bargain into a political tool by making sure that enough resources were provided to benefit the rural populations and win elections for four election periods, despite the inherent inequalities in the system. The three aspects support each other because the high bargaining power of Taib (Dimension 1) made sure that he received formula funds (Dimension 2) to finance infrastructure (Dimension 3).

Sarawak: Fund Allocation

Federal development allocations to Sarawak were provided through consecutive Malaysia Plans, creating a stable and institutionalized system of fiscal transfers from the federal government. At the beginning of the study period, development deficiency was evident in Sarawak through multiple indicators. For example, Sarawak's per capita GDP of RM 2,292 was 29 percent below the national average of RM 3,221 and was ranked 10th among 13 Malaysian states (Hazis 2009 p. 105, Table 3). Moreso, Sarawak's level of poverty stood at 51.7 percent in 1976, and its mean monthly household income was only RM 426, compared with the national average of RM 514 (EPU 1981, p.39; p.42). This developmental deficiency ranked 10th of 13 states by per capita GDP and carrying a poverty rate of 51.7 percent. Given this deficiency and low-level conditions of development, the government with consecutive New Economy Policy (NEP) and New Development Policy (NDP) intended to achieve regional

balance in development directed to the poorer states, through government investment (EPU 1981, p. 147).

Sarawak's share of funding was significantly higher than many other states. For example, under the 7th Malaysia Plan, Sarawak received 6.7 percent of the total allocation, compared to Kedah (4.9 percent), Kelantan (2.7 percent), and Malacca (1.8 percent) (Anuar, 2000, p. 93). Under Fourth Malaysia Plan (1981-1985), federal government provided RM 3,113 million or approximately 6.7 percent of total Malaysian public sector development funding. The federal government also provided RM 36 million for Sarawak's rural water supply (approximately 10.3 percent of the national's rural water supply of RM 349.8 million) compared to RM 30 million to Sabah, despite Sarawak constituting approximately 9 percent of Malaysia's total population (EPU, 1981, p. 227).

Other projects financed by federal fundings include Batang Ai hydroelectric project (92 MW) which became the foundation for rural electrification and targeting d the supply of electricity to 17,000 households in 192 villages (EPU, 1981, pp. 226–227). From 1976 to 1984, poverty dropped from 56.5 percent to 31.9 percent or nearly 20 percent in less than a decade (EPU, 1986, p. 81).

Under the Fifth Malaysia Plan (1986-1990), The federal government allocation declined at this time from RM 3,113 million under the Fourth Malaysia Plan to RM 1,839 million under the Fifth Malaysia Plan. To compensate for this reduction, the Sarawak government relied largely on revenues generated from its oil and timber resources to sustain development spending (Hazis, 2009, p.94). Nevertheless, the poverty continued its decline to 21.0 percent by 1990 (Hazis, 2009, p. 108, Table 5). This indicate that Sarawak's development activity was sustained across the plan period even with reduced federal transfers.

Development funds was a slight increase from RM 2,918 million (5.3 percent of the total central state development expenditure in Malaysia) in the Sixth Malaysia Plan 1991-1995) to RM 5,928 million (6.0 percent of the total central state development

expenditure in Malaysia) in the Seventh Malaysia Plan (1996-2000) (Hazis, 2009, p.95). Sarawak as underdeveloped states were allocated RM 20.8 billion for development, with the Pan-Borneo Highway and *Jalan Utama Pinggir Pantai* recognized as the two largest infrastructure projects for that time (EPU, 1996, pp. 123, 261).

From 1976 to 1999, the poverty rate dropped from 56.5 percent (1976) to 31.9 percent (1984), to 21.0 percent (1990), and to 6.7 percent (1999), which is a full 49.8 percent decline over the entire study period (Hazis, 2009, p. 108, Table 5; EPU, 1986, p. 81; EPU, 1991, p. 13). The number of rural households with electricity rose from 52 percent in 1990 to 80 percent by 1995 with Batang Ai hydro-electric project (92 MW) started from the fourth Malaysia Plan 4 and each successive plan after (EPU, 1991, p. 233; EPU, 1996, p. 113; EPU, 1981, p. 226). Income per capita rose from 2,292 RM in 1980 to 3,883 RM in 1990 and finally to 12,755 RM in 2000, representing a total more than fivefold increase over the study period (Hazis, 2009, p. 105, Table 3).

Sarawak achieved genuine fiscal autonomy, with three conditions. First, fiscal transfers were made predictable and planned via successive Malaysia Plans. Second, Sarawak retained its own autonomous revenue capacity through multiple sources of revenue based on natural resources, including oil and timber. It provides Sarawak with a hedge against the volatility and changes in the number of transfers received from the federal government during Fifth Malaysia Plan time. Third, Sarawak had political power and therefore the ability to negotiate and arbitrarily obtain their share of federal transfer funding because of established and recognized political relationships with the federal government. As a result of these three interrelated features, this it concludes that Sarawak is in fact able to plan, maintain, and carry out development investment independent of the political relationship between Sarawak and the national executive branch at any one time.

Sarawak: Development Projects

Sarawak's infrastructure under the Malaysia Plans was integrative in character oriented toward connecting population center to each other and to markets. Three types of investment examine in this study: roads, port development, and electrification.

Roads across the study period were built and improved with the purpose of connectivity between major population centers. The 4th Malaysia Plan recorded that 2,720 km of roadworks had been constructed or improved in Sarawak during 1971–1980 (EPU, 1981, p. 207). The First Trunk Road runs along the coastal corridor of Sarawak, providing access between Sematan, Kuching, Sibul, Bintulu, and Miri. As stated in the 4th Malaysia Plan (1981–1985), the First Trunk Road was a top priority for the government to complete. Specifically, the stretch between Ulu Batang Mukah and Bintulu was prioritized for completion, with improvement and bitumen surfacing of the Miri–Bintulu Road and an upgrade of the Miri–Bintulu section to four lanes at its Kuching end (EPU, 1981, p. 215).

By the end of the plan period, approximately 30 percent, or 290 km of the total 990 km First Trunk Road had been paved (EPU, 1986, p. 328). Additional works during this period included upgrading of the Kuching–Sibul, Miri–Bintulu, and Ulu Oya roads, and improvement works on sections of the Pan-Borneo Highway, including the Lutong–Brunei border, Limbang–Brunei border, and Lawas–Sindumin routes (EPU, 1986, p. 328).

During the following decade, these transport networks were systematically expanded to connect previously isolated population centers. Approximately 1,200 km of Sarawak roads were reclassified as Federal roads during this period (EPU, 1986, p. 329). The Sixth Malaysian Plan confirmed the completion of the main West Coast Road System between Sematan and Miri and Limbang, thereby connecting the entire coastal corridor of Sarawak's population by road for the first time (EPU, 1991, p. 202). Among the roads projects identified for Sarawak within this allocation were the Kuching–Sibul

highway, the Kuching-Bau-Lundu roads, and the new Penrissen-Batu Kawa-Petra Jaya Road (EPU, 1991, p. 56).

The Seventh Malaysian Plan noted the completion of the First Trunk Road, known as *Jalan Penghubung Pertama* in the Malay text, which connected all major towns from Sematan through Kuching, Bintulu, Sibul, and Miri (EPU, 1996, p. 247). The Pan Borneo Highway was named in the Seventh Malaysia Plan as one of the two largest infrastructure projects for 1996 to 2000 and extended the connectivity of Sarawak's population centers (EPU, 1996, p.123, p.261).

The construction of Bintulu Port is the largest single infrastructure investment of the study period. Construction of Bintulu Port began in 1979, scheduled for completion by the end of 1982. It provided general cargo and bulk cargo services but included specially constructed facilities for the handling of Liquefied Natural Gas (LNG), ammonia, and urea, supported by the US\$1,016 million plant (EPU, 1981, p. 203). Total port cargo volume for Sarawak was projected to increase from 2,900,000 tons in 1980 to 6,500,000 tons in 1985, at an annual growth rate of 17.5 percent, the highest of any region in Malaysia (EPU, 1981, p. 217).

With the development of the Bintulu Port, which was expected to process 1,700,000 tons of cargo in 1983 and 3,200,000 tons of cargo in 1985, it was described that the construction of the Bintulu Port would serve as a catalyst to accelerate the development of the region beyond its LNG terminal (EPU, 1981, p. 218). In addition to being a port for export activities, the Bintulu Port was also constructed as a region development engine where the Fourth Malaysia Plan was to allocate federal funds through the Bintulu Development Authority to establish 83 hectares of land for petrochemical and heavy industries around the port (EPU, 1981, p. 192). The Fourth Malaysia Plan also funded the expansion of Kuching Port from 700,000 to 1,300,000 tons, connecting Sarawak's commercial center to domestic and regional trade networks (EPU, 1981, p. 218).

In 1980, fewer than 5,000 households in 73 villages had electricity (EPU, 1981, p. 224). Where West Kalimantan's electricity reached only 9 diesel generators in district capitals serving 133,946 customers in 1990 (BPS Kalimantan Barat, 1991, Tabel 7.3.2, p. 214), Sarawak's electrification program systematically expanded a connected grid to rural households. The most important expansion took place through the Batang Ai Hydroelectric Project: between 1980 and 1985, electricity generating capacity increased from 355 to 704 GWh, and the electric transmission network expanded from 214 to 2,110 km (EPU, 1986, p. 351).

The Sixth Malaysia Plan aimed to extend the Batang Ai network so that it connects Kuching, Sibul, Sri Aman, and Sarikei, and build a new 275kV transmission line from Sibul to Bintulu. The plan sought to link Sarawak's main cities, not just tie generation points to export facilities (EPU, 1991, p. 233). By the end of 1990, Sarawak's electrification ratio amounted to 52 percent compared to the national figure of 80 percent (EPU, 1991, p.233). The Sixth Malaysia Plan envisaged an objective of rural electrification in Sarawak at 77 percent by 1995 (EPU, 1991, p. 233). Nevertheless, the target was surpassed because the Seventh Malaysia Plan confirmed that rural electrification of Sarawak had already reached 80 percent by 1995 (EPU, 1996, p. 113). On a national level, rural electrification increased from 80 percent in 1990 to 92 percent by the end of the plan (EPU, 1996, p. 285).

Evidence from all four Malaysia Plans shows that the development of Sarawak's infrastructure took into account both aspects: the first Trunk Road linked up population centers, Bintulu Port acted as the export point for LNG while contributing to the development of the region, and the electricity network was built to include not only industrial regions but also the rural areas. This distinguishes the development of the infrastructure in Sarawak from the extractive only one and is the direct expression of Dimension 1's finding: a Chief Minister whose political survival depended on rural electoral support directed both MRP spending and his federal bargaining advantage toward population connecting investment rather than extraction only infrastructure.

5.2 West Kalimantan: Center-Periphery Relations and Development

The hypothesis posits that the extractive center-periphery relations of West Kalimantan, which include fiscal centralization, security-driven infrastructure, and occupation of administration through military governors, have systematically resulted in less development compared to Sarawak. Under the New Order period, Indonesia's system was characterized by scholars as extremely centralized and technocratic, with no autonomous role for regional governments in their own development allocations (Fuady, 2012, p. 379). This section traces how West Kalimantan's low Peripheral Bargaining Power produced systematically lower developmental outcomes.

West Kalimantan: Political Orientation of Local Government

Throughout the study's period West Kalimantan was under New Order and military's governors who held no constitutional resource authority and no electoral mechanism to negotiate with Jakarta. The development outcomes documented were produced through extraction and security priorities decided unilaterally by the center. While Sarawak's Chief Minister was a locally elected, West Kalimantan's governors were military officers, whose political orientation prioritized administrative control and military security. The central government governed the provinces through the application of the military Dual function (*Dwi fungsi*) doctrine which legally permitted the Indonesia Armed Forces to play dominant role in local administration (Davidson, 2008, p. 93).

After the rise of the New Order, in July 1967, General Soeharto initiated a program titled *Konsolidasi dan Pembangunan* (Consolidation and Development), aimed at converting the Chinese and Dayak populations of West Kalimantan into loyal citizens through state building and development (Davidson, 2008, p. 104). The replacement of existing local leadership with Jakarta appointed military administrators was considered an "absolute requisite" (*syarat mutlak*) for state building (Davidson, 2008, p.106).

Under Undang-undang No. 5/1974 (Pasal 23), all governors (Major General Soedjiman (1977-1988), Major General (1988-1993), Mayor General Aspar Arwin (1993-2003)

(Eilenberg, 2011, p.1459) and district heads under the Suharto regime were appointed within the military and the military was present in all layers of society (Eilenberg, 2014, p.9). By replacing locally rooted leaders and appointing military office, Jakarta maintained strong control over provincial governance.

Parjoko Suryokusumo is an important figure, because he was formerly the commander of the regional military command, Kodam XII/Tanjungpura, that governed West Kalimantan militarily and was later appointed as the civilian governor of West Kalimantan. From 1993-2003, Aspar Aswin, who also served as a military officer involved with the anti-PARAKU counterinsurgency operations in the West Kalimantan borderlands before served as governors (Eilenberg, 2011, p. 1459). This means, that all governors during the study period had an operational military background in the same province. This was the opposite from the situation in Sarawak. Taib was a politician from the Melanau ethnic group and a native of Sarawak.

The local elites in the Dayak community were coerced to join the state supported Golkar Party. This small group known as “Golkar Dayaks” were granted nominally ceremonial positions in the Provincial and District Assemblies. Yet, they had no genuine policy or decision-making influence in government (Davidson, 2008, p. 107). Moreover, none of the co-opted Dayak figures was permitted to hold a position higher than subdistrict head (Davidson, 2008, p. 108).

Rural leaders were treated as nothing more than tools of the state apparatus and were not empowered as development partners. The military consistently circumvented traditional structures and employed willing indigenous persons as war commanders (*panglima perang*) to enforce compliance with counterinsurgency measures (Eilenberg, 2009, p. 208). Traditional Tribal Chiefs (Temenggong) were appointed by the local government council (MUSPIKA) (*Musyawarah Pimpinan Kecamatan*), which consists of the subdistrict head, police, and local military command (Eilenberg, 2011, p. 1459). These state-created elites were required to take a customary oath stating, “We as the people of Indonesia, do not assist the PARAKU, but Indonesia”

(Eilenberg, 2011, p. 1458). By co-opting the tribal leadership structure, the military made it impossible for these elites' figures to influence regional development.

Economic growth for the province came primarily from timber concessions, which were issued by the Central Government to senior bureaucrats and military personnel in Jakarta (Davidson, 2008 p. 95). HPH (*Hak Pengusahaan Hutan*) allocation took place in Jakarta, where much of the money accrued from the logging wound up (Davidson, 2008, p. 95).

Successive Indonesian governments allocated large-scale timber concessions along the border to military entrepreneurs and local elites so that President Suharto received military backing to ensure strict conformity to New Order political authority throughout the outer regions of the nation (Eilenberg, 2014, p. 8). Military economic hegemony was institutionalized through the military-owned foundation PT Yamaker (*Yayasan Maju Kerja*). PT Yamaker was given a large logging concession, covering 843,500 hectares along the West Kalimantan border, combining economic exploitation with national security concerns (Eilenberg, 2009, p. 209; Eilenberg, 2014, p. 9).

The local community paid the price for the vast amounts of riches the military took from the region. PT Yamaker didn't fulfill its promises to create jobs and develop the area, but instead relied heavily on bringing in workers from Java (Eilenberg, 2014, p. 9; Eilenberg, 2009, p. 210). The state purposely forestalled infrastructural and other kinds of development (Eilenberg and Wadley, 2009, p. 61).

The resulting governance regime produced the outcomes showed in dimensions one and two: a provincial leadership comprised of central military agents would naturally facilitate the outflow of fiscal resources from the province (Dimension 2) and give military security and raw resource extraction priority over civic infrastructure (Dimension 3). According to Harguindéguy et al. (2025, p. 590), West Kalimantan's governors served as remote brokers: a compliance agent who has closed access to the central institutions and governed central directives without genuine authority from their peripheral constituency. Ultimately because of all these aggregate political extraction

arrangements, the economic disparity between the two regions grew larger; by 1995, the per capita income for West Kalimantan was only 20 percent that of residents in Sarawak (Eilenberg & Wadley, 2009, p. 62). This evidence supports the hypothesis that regions having low political bargaining power, will experience long-term stagnation and subsequently, underdevelopment.

West Kalimantan: Fund allocation

There is a consistent structural pattern that emerges from West Kalimantan's data indicating two things. First, rapid growth in the regional economy indicates that West Kalimantan produced substantial resource revenues that flowed directly to Jakarta. Second, intergovernmental transfers back to West Kalimantan were inadequate due to the constraints of the administrative system and a reduced level of transfers relative to what had been provided at the beginning of the period.

Early 1980: The baseline extraction

During the period of 1982/83, West Kalimantan sold 381,671 cubic meters of log timber (*kayu bulat*), 253,730 cubic meters of sawn timber (*kayu gergajian*), and 277,276 cubic meters of plywood timber (*kayu lapis*) through five export ports: Pontianak, Telok Air, Ketapang, Sanggau and Air Hitam. These exports generated approximately USD 128 million worth of timber (BPS Kalimantan Barat, 1982, p. 234, Tabel V.3.6–V.3.7). The provincial government received an estimated annual development transfer of only Rp 9,713–11,510 million, to be divided among West Kalimantan's Dati II units in the mid-1980s (Nota Keuangan, 1990/91, p. 619, Tabel VI.24). A province generating more than USD 128 million in annual timber export revenue received only a small fraction of that back in the form of development transfers.

Under the Basic Forestry Law or BFL (*Undang Undang Dasar Kehutanan*) in May 1967, the central government declared 143 million hectares or about 74 percent of Indonesia's national land area as state forest, which effectively put most the country's

forest under the central government's control. The law granted the state forestry bureaucracy exclusive right to issue Forest Concession Right (*Hak Pengusahaan Hutan/HPH*) to private timber companies and state-owned corporations the right to exploit timber in specific production forests for period up to twenty years (Barr, 1998, p.5).

In West Kalimantan, the scale of concession allocation in the province increased significantly: in 1969 the first four HPH concessions covered 370,000 hectares; by early 1974 sixteen concessions had been issued, covering roughly 1.3 million hectares, with timber production increasing twenty-five-fold between 1968 and 1973 (Davidson, 2008, pp. 94-95). By 1982/83 this had expanded to 59 HPH concessions covering 5,942,050 hectares (BPS Kalimantan Barat, 1983, p.235, Tabel V.3.8-V.3.9). This means 40.5% of West Kalimantan's entire land area was under logging concession (BPS Kalimantan Barat, 1983, p.236, Tabel V.3.10; author's calculation). Most importantly, HPH allocations themselves took place in Jakarta, where much of the resulting revenue remained, commonly involving military officers and politico-bureaucratic powerholders (Davidson, 2008, p. 95).

This legal architecture within the system is the structural causal for this dimension. The extraction process did not occur due to inability or incompetence of the provinces. It was a legally mandated function of centralized regime that control over resource, that left no room for provincial claims. West Kalimantan own-source revenue *Pendapatan Asli Daerah* (PAD) was only 20.06 percent of the total provincial expenditure in 1984/85 (Hirawan 1993, p. 300, Tabel 2). This means that the province was dependent on central transfer for nearly 80 percent of its budget. The total development transfer to West Kalimantan as Dati units II were RP.11,510.38 million in 1985/86, representing only 1.31 percent of the pool transfers made at the national level. (Nota Keuangan, 1990/91, p.619, Tabel VI.24).

Mid to Late 1980s: Growth without proportional returns

From 1984-1991, real GRDP in West Kalimantan grew 9.34 percent annually, which was significantly higher than the national average of 6.26 percent (Nota Keuangan, 1994/95, p. 432, Tabel V.54). The province was economically productive; the question is where did the generated surplus go?

The answer is reflected in the per capita figures, which diverged from the overall trend in economic growth. West Kalimantan received Rp 16,305 per capita in Presidential Instruction (*Instruksi Presiden/Inpres*) grants in 1984/85. This figure was already among the lowest in the Kalimantan group, and declining to Rp 11,534 per capita by 1988/89, a negative annual growth rate of 8.29 percent. (Hirawan, 1993, p. 306, Tabel 6). Even though the provincial economy grew at 9.34 percent per year, the per capita development transfers it received from Jakarta declined at 8.29 percent per year. The gap between what West Kalimantan produced and what the province was allowed to keep was widening, not narrowing.

Furthermore, the gap between output and retention can be proved by comparing the province's total economic output (PDRB) to its Own-Source Revenue (*Penerimaan Daerah Sendiri Tingkat I PDS*). In 1989/90, the gross domestic product (PDRB) for the province was Rp 2.333,43 trillion while the amount received from PDS was only Rp 33.12 trillion (Nota Keuangan 1997/98, p.239, Tabel V.10.). This means that the province was legally allowed to keep only 0.4 percent of its total economic output as independent local revenue. This 0.4 percent retention rate was the joint lowest nationally, against national average of 0.9 percent (Nota Keuangan, 1997/98, p. 239, Tabel V.10). By the 1995/1996, the same calculation shows that only 0.5 percent of the total economic output was retained as independent local revenue (Nota Keuangan, 1997/98, p. 239, Tabel V.10).

This result was a consequence of the New Order's system of fiscal centralization. According to Keppres No. 36/1989, only 45 percent of the IHH revenues from the national timber levy was allocated to regional development budgets in terms of 30 percent for provincial governments and 15 percent for district governments, whereas

the rest 55 percent of the revenues was allocated for forest rehabilitation activities, regional forestry program, and land taxes of logging blocks (Nota Keuangan, 1993/94, p. 314). This implies that from every Rp 100 collected by the IHH system, only Rp 45 goes into the pool of regional development, and even this Rp 45 does not come back to the province where the revenues were generated in proportional shares but shared among all provinces under Inpres formula. That formula, as discussed below, disadvantaged provinces with few administrative units and low population density. In this sense, West Kalimantan experienced the extraction process two times. First, the majority of IHH revenue was redirected away from provincial development budgets before any allocation began; second, what remained was distributed through a formula that systematically worked against West Kalimantan's interests.

Over seven years, own source revenue (*Pendapatan Asli Daerah/PAD*) changed by only 1.24 percentage points while the provincial economy grew nearly doubled in real terms. The lack of growth in fiscal autonomy despite sustained economic growth shows that the growth did not translate into local revenue capacity and the system was designed to prevent that translation. The dependence was particularly evident in development spending, where the Presidential Instruction (*Instruksi Presiden*) transfers financed 71.7 percent of development expenditure in 1988/89, 78.3 percent in 1989/90, and 97.5 percent in 1990/91 (Hirawan, 1993, p. 301, Tabel 3). This reliance continued into 1990/91; the entire development budget of West Kalimantan was financed by central discretionary transfers, leaving the provincial government with no meaningful capacity to independently establish or sustain investment programmes.

Early 1990s: More growth, minimum returns

The dominance of timber extraction in West Kalimantan's economy is demonstrated directly by the province's contribution to Indonesia's national *Iuran Hasil Hutan* (IHH) timber levy revenue. In 1991/92, West Kalimantan contributed 7.6 percent of the national total, it is the third largest provincial contributor after Kalimantan Tengah (22.7 percent) and Kalimantan Timur (17.5 percent) (Nota Keuangan, 1993/94, p. 314).

The extraction ratio can be further examined by comparing the province's contribution to national timber revenue and with the share of received transfer. West Kalimantan was responsible for providing 7.6 percent of the national timber receipts, while managing to retain just 0.4 percent of its PDRB as local receipts (Nota Keuangan, 1997/98, p. 239, Tabel V.10). Hence, the province received only 1.31 to 2.07 percent of the national development transfer (Nota Keuangan, 1990/91, Tabel VI.24, p. 619; Nota Keuangan, 1992/93, p. 322, Tabel V.27). Therefore, the province contributed the national timber income at a rate 3.7 to 5.8 times greater than what it received back in development funds.

In 1992/93, West Kalimantan received Rp. 149,417.1 million of total Inpres, representing only 3.8 percent of the national allocation. Critically, Hirawan (1993, p. 308, Tabel 7) demonstrates that the correlation between provincial PDRB growth and Inpres allocation was -0.08, which indicates that there is no relationship between provincial income levels and the distribution of development funds. At the regional level, Kalimantan as a whole received less than 12 percent of total national Inpres allocations even though the province accounted for 28.1 percent of Indonesia's land area (Hirawan, 1993, Tabel 5, p. 304).

The criteria for allocating resources within this mechanism consistently disadvantaged West Kalimantan. The government of Indonesia has itself confirmed, that West Kalimantan received relatively little transfer revenue because the transfer formula was calculated by the number of Level II (*Tingkat II*) administrative units in the region (Republik Indonesia 1995/96, Nota Keuangan 1995-1996, p. 406). A province that was sparsely populated yet rich in natural resources, with a low number of districts, was disadvantaged by this transfer process. This was not a matter of year-to-year political choice; it was a consequence of the structure of the allocation system, which systematically disadvantaged low-density resource provinces.

The central government provided development assistance through *Bantuan Pembangunan Daerah Tingkat I*: West Kalimantan received Rp 4,345 per capita in

1989/90, higher than national average of Rp 2,262, yet still the lowest among the four Kalimantan provinces. Kalimantan Tengah, for instance, received Rp 10,059 per capita in the same year, 2.3 times West Kalimantan's allocation (Republik Indonesia, 1996/97, APBN, p. 426, Tabel V.20). This apparent contradiction above the national average but below the Kalimantan average, reflects the formula's basis: Bantuan per capita was allocated according to population density, with a fixed minimum amount set for less populous Dati II units. West Kalimantan's large territory and low population density meant it received only this minimum, which nonetheless exceeded the national average because the national pool included densely populated provinces such as those in Java with comparatively lower per-unit allocations. Within the Kalimantan group specifically, however, Kalimantan Tengah and Kalimantan Timur had larger administrative units and consequently received higher per capita allocations under the same formula (Nota Keuangan, 1991/92, p. 307; Republik Indonesia, 1996/97, p. 426, Tabel V.20).

Late 1990s: Structural evidence and Human Consequences

The long-term effect of two decades of fiscal extraction could be seen in an aggregate result. For the first time in the study period, West Kalimantan's per capita development expenditure fell below national average. By 1996/97, before the Asian financial crisis, West Kalimantan's per capita development expenditure fell below the national average for the first time at Rp 19,901 against the national average of Rp 21,814 (Nota Keuangan, 1997/98, p. 447, Tabel V.29). After fifteen years of having contributed disproportionately, including 7.6 percent of the national IHH timber levy in 1991/92, the province ended up receiving less than the national average.

The fiscal marginalization was structural and worsening, not temporary. This confirms Falleti's (2010, p. 57) argument that when decentralization is initiated and controlled by the central government, subnational governments become increasingly dependent on the center with no power to contest the term of their own fiscal position. West Kalimantan experienced this condition.

The poverty evidence reflects the direct human consequences of sustained fiscal extraction. West Kalimantan has the highest percentage of poverty rate of all provinces for which data were available: at 27.58 percent overall and 28.86 percent in rural areas (BPS, 1992, p.27). With limited local revenue, falling transfers, and weak fiscal capacity, the province could not translate growth into reduced poverty. In 1999, the poverty remained as 26.17 percent (Badan Pusat Statistik, 2002, p.4, Tabel 1.1a). Following the Asian financial crisis, the poverty rate increased to 29.42 percent in 2000 (BPS, 2002, p.6, Tabel 1.2a). The province had no financial safety net during crisis, as it had no room for political bargaining power over the past twenty years.

In contrast to Sarawak's fiscal arrangements, West Kalimantan remained strongly reliant on central government's support, which retained control over the province's resource revenues through the centralized architecture of the New Order fiscal system. The twenty-years trajectory shows a designed structural system of extraction, not merely an accidental gap. The Basic Forestry Law of May 1967 established state control over Indonesia's forest resources and vested all HPH concession authority in Jakarta, eliminating any provincial legal claim over timber revenues before transfers were calculated (Barr, 1998, p. 5; Davidson, 2008, p. 95).

Under Keppres No. 36/1989, only 45 percent of national IHH timber levy revenue was allocated to regional development budgets. It divided between provincial and district governments across all provinces through a distribution formula that systematically disadvantaged low-density provinces with few administrative units (Nota Keuangan, 1993/94, p. 314). West Kalimantan, with vast territory but few districts, received a fraction of that already-reduced regional share. The cumulative result was a province whose economy more than doubled in real terms between 1983 and 1990, whose timber production contributed close to 8 percent of national IHH revenue by 1991/92, and whose own-source revenue as a share of its own expenditure changed by only 1.24 percentage points over seven years. This is not a case of underdevelopment. It is a structured extraction system.

Table 5.1. Resource Production, Central Extraction and Provincial Return 1980-2000

Year	Resource produced by WK	What the Center extracted	Fund allocation for WK
Early 1980s	Timber exports: USD 128 million across five ports (1982/83). ¹⁶	All HPH concession authority and revenue centralized under Basic Forestry Law of May 1967 conducted in Jakarta ¹⁷	Rp 11,510.38 million to Dati II units = 1.31% of national pool (1985/86) ¹⁸ Province's own locally PAD = 20.06% of expenditure (1984/85) ¹⁹
Mid to late 1980s	Real PDRB growth: 9.34% per year-above national average of 6.26% ²⁰	The province received less than 12% of national Inpres allocation despite comprised 28.1% of national land area ²¹	Inpres per capita fell from Rp 16,305 to Rp 11,534 (-8.29%/year), lowest of four Kalimantan provinces ²² 97.5% of development budget from discretionary transfers by 1990/91 ²³

¹⁶ BPS Kalimantan Barat, 1982, p. 234, Tabel V.3.6–V.3.7. USD 123 million is author's sum of the four-commodity export value total reports in Tabel V.3.7 (USD 128, 063,506.70).

¹⁷ Barr, 1998, p.5, Davidson, 2008, p. 95

¹⁸ Nota Keuangan 1990/1991, p.619, Tabel VI.24

¹⁹ Hirawan (1993), p.300, Tabel 2,

²⁰ Nota Keuangan, 1994/95, p. 432, Tabel V.54,

²¹ Hirawan, 1993, p. 304, Tabel 5; Nota Keuangan, 1995/96, p. 406

²² Hirawan, 1993, p. 306, Table 6

²³ Hirawan, 1993, p.301, Tabel 3

1989/90	PDRB Rp. 2,333,432 million (at current prices 1990) ²⁴	Inpres transfer financed 78.3% of all WK development spending ²⁵	Own-source revenue (PDS): Rp 33.12 billion = 0.4% of PDRB (national average: 0.9%). ²⁶
1991/92	IHH timber levy contribution: 7.6% of national total: 3rd largest nationally ²⁷	Only 45% of IHH allocated to regional development: divided across all provinces through formula disadvantaging low- density provinces ²⁸	Transfers to Dati II: 1.31–2.07% of national pool. ²⁹ WK contributed 3.7- 5.8x more than received ³⁰

Note: In 1991/92 West Kalimantan provided 7.6% of Indonesia's national revenue from IHH timber tax yet retained only 0.4% of PDRB as its own revenue and got only 1.31%–2.07% of national development transfers. Structural extraction ratio of 3.7 to 5.8 times (author's calculation). By 1990/91, 97.5% of total development funds in the province were based on the discretionary transfers by Jakarta leaving the local government without any investment potential (Hirawan, 1993, p. 301, Table 3).

Table 5 summarizes the causal chain of this study: West Kalimantan's low peripheral bargaining power produced structural fiscal extraction, leaving the province fiscally dependent and unable to contest the terms of its own development.

²⁴ BPS Kalimantan Barat, 1990, Tabel 12.1 p.399

²⁵ Hirawan, 1993, p. 301, Tabel 3

²⁶ Nota Keuangan 1997/1998, p. 239, Tabel V.10

²⁷ Nota Keuangan, 1993/94, p. 314

²⁸ Keppres No. 36/1989, Nota Keuangan 1996/1997, p. 454.

²⁹ Nota Keuangan, 1990/91, p. 619, Tabel VI.24; Nota Keuangan, 1991/92, p. 308, Tabel V.24

³⁰ Author's calculation: $7.6\% \div 2.07\% = 3.67\times$; $7.6\% \div 1.31\% = 5.80\times$

West Kalimantan: Infrastructural Priorities and Development Projects

West Kalimantan's infrastructure during the period of study was security-oriented and extractive, which served military corridors and timber extraction routes. In West Kalimantan, the concept of "military connectivity" was oriented towards security and determined how roads would be built. As documented by Davidson (2008, p. 94), the majority of infrastructural projects were directed toward coastal and inland corridor area around Pontianak-Singkawang and the Bengkayang border, as a part of the "Roads and Rice" program implemented by the Indonesian Army. Through this program, the regime sought to eradicate shifting dry-rice cultivation, which was deemed inefficient and backward and to develop wet-rice-agriculture system. Therefore, it limited the villager's movements, making them more controlled and governable, and restricting their access to common resources such as forests, (Peluso, 1996, cited in Davidson 2008, p. 94)

To fully understand the level of this neglect, one must consider the geography of West Kalimantan. West Kalimantan's area was 146,596 km², which roughly 30,000 km² consisted of swamps, mostly along the coast and alongside Kapuas River network, which was 1,143 km long. In 1981, the total road system was only 2,054 kilometers in length, with only 447 kilometers (21,8 percent) paved with asphalt, while 1,435 kilometers (70 percent) were dirt roads (BPS Kalimantan Barat Dalam Angka, 1982, p. 278). This severe lack of paved roads meant the local economy mean was trapped by its geography and reliant heavily on slow river transport that was highly vulnerable to dry seasons.

The number of roads that were heavily damaged increased from 182 km in 1984 to 1,241 km by 1986. Moreover, the number of roads that were in good condition decreased significantly during this time. For example, in 1984, there were 1,696 km of roadway that fell into good condition (ANRI, Arsip No. 368 Tabel 6.b). By 1986, the overall condition of the road system (5,933 kilometers, including national, provincial and district roads) had degraded significantly: only 1,405 kilometers (23.7 percent) were in good condition, 1,038 kilometers were damaged, and 1,241 kilometers were in

severely damaged condition. From the 1,241 kilometers of roads that were in severely damaged condition, 1,233 kilometers were *kabupaten* roads that connected rural areas to district service centers (ANRI, Arsip No.368, Tabel 6b).

As of the end of 1989, there were still 53.66 percent of the roads in West Kalimantan that were not paved and 38.28 percent were damaged (BPS Kalimantan Barat, 1990, p. 243). By 1995, even after fifteen years of the REPELITA policies, 49.26 percent of the total 9693 km of roadways in the province, remained unpaved (BPS Kalimantan Barat, 1995, p. 355). By 2000, the total road infrastructure had extended to 10,529,96 km, of which 4,952.43 km (47 percent) were paved roads (BPS Kalimantan Barat, 2000, p. 241).

Although these figures increased statistically, the fact that 53 percent of the road remained unpaved after two decades of large-scale logging operations points to a structural problem. Without paved roads to enter the dense swamps and connect the mountainous regions to coastal hubs, the local farmers and populations remained isolated from the economy. It is reasonable to infer that road construction through such swamps and mountain terrain, needed substantially greater investment. With centrally limited funds that were focused on military security corridors, it is fair to say that road building in this area was simply not prioritized.

Another example of this security-focused infrastructure logic is that there was no highway connection in West Kalimantan at all to any other province in Kalimantan by 1995, only a single highway connection across the border from West Kalimantan to Sarawak (BPS Kalimantan Barat, 1995, p. 355). The one “high standard” road within West Kalimantan was not connected to other parts of Indonesia but to the international border that it is supposed to protect.

The same patterns of coastal regional bias in West Kalimantan are evident through their distribution of electricity systems. By 1990, there were only 9 electric generating stations, all of which were in district capitals along their coastal corridor and main system of rivers (BPS Kalimantan Barat Dalam Angka 1990, p. 199). PLN provided

electric service to 133,946 households in 1990, equivalent to 20.86 percent of the province's 642,160 households (BPS Kalimantan Barat Dalam Angka, 1990, p.214, Tabel 7.3.2; p.425, Tabel 13.3). By 2000, PLN customers had grown to 358,267, equivalent to 42.38 percent of the province's 845,300 households, (BPS Kalimantan Barat Dalam Angka, 2000, p.211, Tabel 7.2.3; p.403, Tabel 13.3) but this growth remained concentrated in the central area and coastal corridor like Pontianak and Singkawang, not the rural interior where the population lived, and timber was extracted.

The electrification gap continued into the next decade. For example, the electrification ratio was at 76 percent against Sarawak's 91 percent as of 2014. This situation was so severe that ADB provided funding to construct a 275 kV transmission line to enable West Kalimantan to receive surplus hydroelectric energy from Sarawak (ADB 2014, pp. 12-13, p.27).

In addition, West Kalimantan was systematically excluded from central government development programs. An example is the *Program Pembangunan Prasarana Kota Terpadu* (P3KT). Bappenas had implemented P3KT in 19 other provinces by the end of Repelita V. West Kalimantan remained in a preparation phase, scheduled for inclusion only in Repelita VI (Republik Indonesia, 1994, p.405).

The disparity in infrastructure priorities was reflected in the spatial distribution of welfare across sub-national units. For instance, the district of Sambas, which shares the longest land border with Sarawak, recorded a PDRB per capita of only Rp 199,139 in 1996, compared to the provincial average for West Kalimantan which was Rp 2,402,122 (BPS, 2000, p. 66, Tabel 66). The city of Pontianak had the highest GDP per capita at Rp 5,126,676, while the district of Sambas had the lowest at Rp 199,139. This difference of 25.7 to 1, from the highest to lowest. Even major timber producing districts such as Sintang at Rp 1,257,830, and Kapuas Hulu at Rp 1,828,805, were also below provincial average (Rp 2,402,122). (Badan Pusat Statistik 2000, Table 66, p. 66).

Comparative Development Outcomes

In all three dimensions, there was systematic divergence between the development trajectories of the two regions during the study period. Sarawak entered the study with 56.5 percent poverty rate in 1976, while West Kalimantan's stood at 27.58 percent in 1990 (Hazis, 2009, p.108, Table 5; BPS,1992, p.27, Tabel 3.3). By 1990-2000 this pattern has completely changed: Sarawak's poverty rate had dropped to 6.7 percent, and West Kalimantan's stood at 29.42 percent (Hazis, 2009, p.108, Table 5; BPS, 2002, Tabel 1.2a). West Kalimantan's residents' per capita income in 1995 was only one-fifth that of the Sarawak per capita income. (Eilenberg & Wadley, 2009, p.62).

The reason behind this contrasting outcome can be explained across three dimensions. First, Sarawak had a locally elected Chief Minister held constitutional authority and electoral incentive to allocate resource to rural areas, whereas the military governor of West Kalimantan were merely agents of the center and held neither constituency nor peripheral bargaining power. Second, Sarawak received predictable Malaysian Plan funds, while West Kalimantan could claim only 0.4 percent of its own PDRB as its own sources revenue and relied on discretionary transfers, from central government for 97.5 percent of its development budget by 1990/91. Third, Sarawak's federal transfer financed integrative infrastructure: the First Trunk Road, Batang Ai electrification, and Bintulu Port, meanwhile West Kalimantan's centrally controlled transfer-built security corridors and extraction routes, leaving the province with 53.66 percent of unpaved roads (1995) and 58 percent of households without electricity (2000). As a result, the province produced substantial natural resource wealth for the national government, while its population remained poor, isolated, and unserved, as predicted by the hypothesis.

CHAPTER VI

CONCLUSION AND RECOMMENDATIONS

6.1 Conclusion

I have argued throughout this work that different forms of center and periphery relations explain the development gap between Sarawak and West Kalimantan between 1980-2000. In particular, this study demonstrated a highly plausible causal relations between the varying degree of peripheral bargaining power and the different outcome of economic development trajectories. When the bargaining power is high, the peripheral government can secure proportional resource revenue, direct the infrastructure towards the population and sustain development projects. When the bargaining is low, resource wealth flows to the center, infrastructure serves extraction and security, and poverty persists despite aggregate economic growth.

The hypothesis is supported across all three analytical dimensions in both cases. Sarawak's high bargaining power grounded in three conditions: constitutional jurisdiction over land and forestry secured through the Malaysia Agreement 1963, formula-based fiscal transfers embedded in successive Malaysia Plans, and electoral indispensability to the federal ruling coalition. As a result, Sarawak produced proportional resource returns, locally negotiated infrastructure, and sustained poverty reduction, reflected in poverty rate that fell from 56.5 percent in 1976 to 6.7 percent in 1999 and a road network that connected the entire coastal population corridor by 1995.

West Kalimantan entered the same period with low bargaining power. There was no constitutional protection of provincial resource authority, fiscal transfers were entirely discretionary, and military governors appointed from Jakarta had no electoral incentive to direct investment toward the local population. Hence, the low of peripheral bargaining power, produced by military administrative occupation, fully discretionary fiscal transfers, and the absence of any electoral mechanism, produced systematic fiscal extraction, security-oriented infrastructure, and poverty stagnation despite substantial resource wealth. The result was a province that contributed 7.6 percent of Indonesia's

national timber levy revenue in 1991/92 while retaining only 0.4 percent of its own GDP/PDRB as own-source revenue. By 2000, its poverty rate stood at 29.42 percent and was the highest among all four Kalimantan provinces (BPS 2000, p.6, Tabel 1.2a).

The scope of this study's conclusions is bounded to Sarawak and West Kalimantan between 1980 and 2000; neither case is statistically representative of Malaysia or Indonesia as a whole. What travels beyond these two cases is not the finding itself but the theoretical mechanism: wherever a periphery combines constitutional resource authority, formula-based transfers, and electoral necessity to the center, the same logic predicts population-serving development; wherever it does not, the same logic predicts extraction. This is a claim about the conditions under which the mechanism operates, not a claim that every New Order province replicated West Kalimantan's outcome, that would require examining those provinces directly, which this study does not do.

6.2 Recommendations for Future research

The first extension of this study lies within its own case. Indonesia's 1999 decentralization laws reshaped the fiscal relationship between Jakarta and provinces in ways this study's 1980-2000 period deliberately excludes. A follow up study testing examining West Kalimantan's peripheral bargaining increased after 2001, would determine whether the mechanism discovered here is dynamic or static.

Another example is an extension within the same regional family. Specifically, the case of Sabah, which was deliberately excluded from this analysis due to its UMNO-driven lack of local leadership. It could be used for an internal Malaysian analysis of the same causal mechanism, but in the reverse direction, in which peripheral bargaining power was present and later weakened. It would be more convincing to check whether the development path of Sabah shifted to a declining trend after what 1990. Apart from the Borneo case, it is important to explore whether the governance system, federal or unitary state structures leads to different development paths for similar peripheral regions. This study does not seek to conduct such an analysis; however, it can serve as a guide to conducting one.

What is really at stake in this comparative study is much more larger than explaining why two provinces led to different trajectories. This touches upon questions of understanding the way that postcolonial states set up the systems of rules that govern ownership of the resources produced in their territories, and how long these rules can withstand the passage of time once they are written. West Kalimantan's forests have been largely depleted, and the fiscal regime under which this occurred lasted through all the thirty-two years of the New Order without meaningful revision. The issue left open by this study is not whether the governments will seek to extract resources - they inevitably will, but whether other peripheries will be given their bargain, before the resource is gone.

6.3 Scope and Limitations

It is important to note that this research did not consider the period after 1998, where Indonesia's decentralization law had radically altered West Kalimantan's center-periphery relations due to the transfer of considerable administrative and financial power to district governments. This period after the New Order regime would need a different theory of analysis. Incorporating post-1998 period would require a different approach to be analyzed. Center-periphery relationships as a conceptual tool used in this research were supposed to be used for analysis of the dynamics of the centralized authoritarian state. Inclusion of the years after 1998 would result in a shift in the structure that would undermine the comparability of the two regions.

A data limitation specific to the West Kalimantan case concerns the availability of poverty incidence data before 1990. Indonesia's REPELITA planning documents and BPS provincial publications did not produce provincial-level poverty headcounts before 1990, as SUSENAS sample sizes were not designed for provincial disaggregation in earlier years. The poverty indicator for West Kalimantan is therefore taken from 1990 onward using BPS provincial poverty publications (Badan Pusat Statistik, 1992; 1999; 2002; 2003).

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