

# Federal-State Relations in Malaysia: Issues and Solutions for Sarawak

Ahmad Redzuan Mohamad<sup>1</sup>, Mohd Rizal Mohd Yaakop<sup>1</sup>, Mohd Azmi Mohd Razif<sup>2</sup>

<sup>1</sup>School of History, Politics and Strategic Studies, Faculty of Social Sciences and Humanities, Universiti Kebangsaan Malaysia, Bangi, Malaysia

<sup>2</sup>Islamic Science Institute, Universiti Sains Islam Malaysia, Nilai, Malaysia  
Email: redzumark@gmail.com

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## Abstract

This article explores the ongoing issues between Sarawak and the federal government of Malaysia, focusing on historical context, current grievances, and potential solutions. It analyzes the implications of these tensions for governance and development in Sarawak and offers a set of recommendations to enhance federal-state relations.

## Keywords

Sarawak, Malaysia, Politics, Sovereignty, Autonomy

## 1. Introduction

The relationship between Sarawak and the federal government of Malaysia has been complex and often contentious. Since Sarawak's entry into the Malaysian Federation in 1963, various issues have arisen, including autonomy, resource allocation, and socio-economic development. While both Sarawak and Sabah were promised special rights and autonomy under the Malaysia Agreement 1963 (MA63), there has been growing concern that these promises have not been fully honored.

A critical aspect of the federal-state tension is the perception that Sarawak has lagged behind Peninsular Malaysia in terms of development. Despite its wealth in natural resources, Sarawak's socio-economic indicators, including education, healthcare, and infrastructure development, are lower than those of Peninsular Malaysia. Studies have highlighted the state's struggles with poverty, limited access to quality public services, and inadequate infrastructure in rural areas, which continue to perpetuate socio-economic disparities (Jawan, 2021). This developmental lag has fuelled calls for greater state rights and more equitable resource distribution, as Sarawakians seek to address long-standing inequalities in federal-

state relations (Ng, 2020).

Furthermore, Sarawak's unique cultural and geographical challenges, such as its large indigenous population and remote rural communities, have made it difficult for the federal government's centralized policies to effectively address the state's development needs. The erosion of promised autonomy and the slow pace of development have led to persistent calls for enhanced governance mechanisms that prioritize the specific needs of Sarawak (Chin, 2019).

### **1.1. Economic Situation**

Sarawak, despite its wealth in natural resources such as oil, gas, and timber, faces significant challenges in translating these resources into broad-based development. The state's economy is heavily reliant on the extraction of these resources, with limited diversification into other sectors like manufacturing or services (Ng, 2020). As a result, economic growth is uneven, benefiting urban centers such as Kuching, Miri, and Bintulu, while rural areas, especially those inhabited by indigenous populations, continue to lag behind in development (Jawan, 2021).

A major point of contention in Sarawak's economic development is its limited share of the revenues generated from its natural resources. The state has long demanded a greater portion of the profits from oil and gas royalties, arguing that current allocations from the federal government are insufficient to address local development needs. Sarawak has been pushing to increase its share from 5% to 20%, but these negotiations have met with limited success (Loh, 2020). This financial imbalance has hindered Sarawak's ability to invest in infrastructure, education, healthcare, and other critical sectors, perpetuating underdevelopment in many parts of the state (Ng, 2020).

### **1.2. Social Situation**

Socially, Sarawak is characterized by its cultural and ethnic diversity, with over 40 ethnic groups, including the Iban, Bidayuh, and Orang Ulu, alongside the Malays and Chinese. While this diversity enriches the cultural fabric of the state, it also creates challenges in governance and service delivery, particularly in rural and indigenous areas. Many of these communities face higher poverty rates, with limited access to education, healthcare, and essential services compared to the more urbanized parts of the state (Majid Cooke, 2020).

The rural-urban divide is particularly stark in Sarawak. Rural areas, which are home to a significant portion of the population, remain largely underserved in terms of infrastructure and social services. Schools in rural Sarawak are often under-resourced, lacking basic facilities and qualified teachers, contributing to lower educational attainment levels among indigenous and rural populations compared to Peninsular Malaysia (Chin, 2019). Healthcare in rural areas faces similar challenges, with a shortage of medical personnel and inadequate healthcare facilities, leading to poor health outcomes in these communities (Jawan, 2021).

This lag in social development is further compounded by land issues faced by

indigenous communities, who often struggle to protect their native customary rights (NCR) lands from encroachment by logging and plantation companies. These conflicts highlight the need for stronger protection of indigenous land rights and greater involvement of indigenous communities in decision-making processes related to land use and development (Majid Cooke, 2020).

### 1.3. Socio-Economic Disparities

Sarawak's socio-economic situation reflects the broader challenges of uneven development within Malaysia, where federal-state dynamics have led to an unequal distribution of wealth and resources. The concentration of economic development in urban centers and the neglect of rural and indigenous communities have created a deep rural-urban divide. This divide, along with the underrepresentation of Sarawak's unique social and cultural needs in federal policies, continues to fuel grievances regarding autonomy and resource allocation.

Addressing these socio-economic disparities requires greater autonomy for Sarawak in areas such as education, healthcare, and resource management. An equitable distribution of resource revenues, especially in relation to oil and gas, is crucial for enabling the state to invest in its own development. Furthermore, targeted development initiatives aimed at improving infrastructure and social services in rural and indigenous areas are essential to bridge the gap between Sarawak and Peninsular Malaysia.

The federal government must also acknowledge and address the specific social and cultural needs of Sarawak's diverse population. This includes incorporating indigenous languages and cultural practices into the education system, ensuring fair land rights protection, and providing healthcare services tailored to the needs of remote and rural communities. Without these efforts, Sarawak's socio-economic development will continue to lag behind, further exacerbating the state's discontent with its role in the Malaysian federation.

## 2. Historical Context

Sarawak, along with Sabah, joined the Malaysian Federation with specific guarantees and autonomy enshrined in the Malaysia Agreement 1963 (MA63). This agreement aimed to protect Sarawak and Sabah's interests, given their distinct cultural, economic, and political contexts compared to Peninsular Malaysia. Key provisions included assurances of local governance, control over immigration, and rights over natural resources.

However, over the decades, these provisions have been increasingly contested. The centralization of power in Kuala Lumpur and the implementation of policies perceived as favoring Peninsular Malaysia have fuelled discontent in Sarawak. According to Rahman (2019), the erosion of promised autonomy and unequal development has led to persistent calls for greater state rights and equitable resource distribution. Similarly, Ng (2020) points out that the unequal distribution of natural resource revenues exacerbates economic disparities between Sarawak and

Peninsular Malaysia.

### 3. Key Issues

#### 3.1. Autonomy and Governance

One of the primary issues is the degree of autonomy Sarawak possesses. Despite the promises made in MA63, many in Sarawak feel that the federal government has encroached upon their rights, especially in areas like education, healthcare, and local governance (Chin, 2019).

*Example:* In 2018, the Sarawak government sought greater control over its oil and gas resources by introducing the Oil Mining Ordinance. The federal government's subsequent legal challenge against this ordinance highlighted the ongoing struggle for state autonomy (Rahman, 2019).

The centralized control has often led to the imposition of federal policies that do not align with local needs and contexts. For instance, the national education curriculum often overlooks the unique cultural and linguistic diversity of Sarawak, leading to dissatisfaction among local communities. Similarly, healthcare policies devised in Kuala Lumpur may not address the specific healthcare challenges faced by rural and remote areas in Sarawak.

#### 3.2. Resource Allocation

Sarawak is rich in natural resources, particularly oil and gas. However, the distribution of revenue from these resources has been a major point of contention. Sarawak has argued for a larger share of the profits generated from its resources, but the federal government has maintained significant control over these revenues (Ng, 2020).

*Example:* The Petroleum Development Act 1974 centralized control of oil and gas resources under Petronas, the national oil company. Sarawak has since been advocating for a larger share of the oil royalties, pushing for an increase from the current 5% to 20% (Loh, 2020).

The perceived inequity in resource distribution has significant implications for Sarawak's development. While the state contributes substantially to the national economy through its natural resources, it receives a disproportionately small share of the federal budget. This has limited its ability to invest in critical infrastructure and social services, perpetuating underdevelopment and poverty in many areas.

#### 3.3. Infrastructure and Development

There is a perception that Sarawak has been neglected in terms of infrastructure and socio-economic development. Despite its wealth in natural resources, the state lags behind Peninsular Malaysia in many development indicators, such as education, healthcare, and infrastructure (Jawan, 2021).

*Example:* The Pan Borneo Highway project, which aims to improve connectivity within East Malaysia, has faced numerous delays and funding issues. This has exacerbated feelings of neglect and frustration among the people of Sarawak (Ling,

2020).

Infrastructure development in Sarawak has often been hindered by bureaucratic inefficiencies and inconsistent federal funding. Projects like the Pan Borneo Highway are crucial for connecting remote areas, boosting trade, and improving access to services. Delays and underfunding of such projects have significant social and economic costs, limiting opportunities for growth and development.

### 3.4. Indigenous Rights and Land Issues

Indigenous communities in Sarawak have often clashed with the federal government and private companies over land rights. The encroachment on native customary rights (NCR) land by logging and plantation companies, often with federal support, has led to numerous conflicts (Majid Cooke, 2020).

*Example:* The long-standing conflict over the Baram Dam project, which threatened to displace thousands of indigenous people and destroy their ancestral lands, exemplifies the struggle for indigenous rights in Sarawak (Hansen, 2017).

The protection of indigenous land rights is a critical issue. The federal government's support for large-scale development projects often overlooks the rights and livelihoods of indigenous communities. This has led to legal battles, social unrest, and the displacement of communities from their ancestral lands. Ensuring that indigenous voices are heard and their rights are protected is essential for sustainable and equitable development.

### 3.5. Political Issues

Political dynamics between Sarawak and the federal government have also contributed to the tension. The dominance of Peninsular-based political parties in the federal government has often led to a perceived marginalization of East Malaysian states in the national political landscape.

*Example:* The Barisan Nasional (BN) coalition, which ruled Malaysia for decades, was often criticized for prioritizing the interests of Peninsular Malaysia. Although Sarawakian parties were part of the coalition, they were perceived as having limited influence compared to their Peninsular counterparts (Weiss, 2018).

In recent years, the rise of regional political parties in Sarawak, such as Gabungan Parti Sarawak (GPS), has signalled a push for greater political autonomy and a stronger voice for Sarawak in the federal government. These parties advocate for policies that specifically address the needs and aspirations of Sarawakians, further highlighting the political divide between East and West Malaysia.

### 3.6. Education in Sarawak

Education in Sarawak presents unique challenges compared to Peninsular Malaysia, particularly due to its geographical vastness, rural nature, and ethnic diversity. While the federal government sets a centralized education policy, it often fails to address the specific needs of Sarawak's diverse population and the remote, rural communities.

**1) Access to Education:** Many rural areas in Sarawak face limited access to educational facilities. Schools in remote villages often suffer from inadequate infrastructure, insufficient teaching staff, and a lack of learning materials. This is particularly true in indigenous communities, where logistical challenges like transportation and poor road networks further complicate regular school attendance. The disparity in access contributes to lower educational attainment levels in Sarawak compared to Peninsular Malaysia.

**2) Cultural and Linguistic Diversity:** Sarawak is home to various indigenous groups, each with their own languages and cultural traditions. The national curriculum, which is standardized across Malaysia, does not fully reflect this diversity. There are limited provisions for indigenous languages and cultural practices in schools, which has led to a sense of cultural marginalization among Sarawakians. This issue echoes the broader debate on autonomy, as local stakeholders have advocated for greater control over the education system to ensure it reflects Sarawak's unique socio-cultural context.

**3) Quality of Education:** The quality of education in Sarawak is often affected by the shortage of qualified teachers, especially in rural areas. Many teachers in these regions are posted from Peninsular Malaysia and may not be familiar with the local languages or customs, making it harder for them to engage students effectively. Moreover, rural schools are often underfunded, lacking basic facilities such as science labs, libraries, and internet connectivity, which are essential for a modern education.

**4) Higher Education Opportunities:** Access to higher education is also limited in Sarawak. While the state has several institutions of higher learning, such as Universiti Malaysia Sarawak (UNIMAS), many students from rural areas face financial and logistical barriers to accessing these opportunities. The limited availability of scholarships and student support services further exacerbates this issue, preventing many qualified Sarawakians from pursuing tertiary education.

## 4. Solutions

To address these issues, several measures can be implemented:

### 4.1. Enhanced Autonomy

Restoring the autonomy promised in MA63 is crucial. This can be achieved by devolving more powers to Sarawak in areas like education, healthcare, and local governance. Establishing a clear framework for federal-state relations that respects Sarawak's unique status would help alleviate many grievances (Chin, 2019).

Greater autonomy would allow Sarawak to tailor policies to its specific needs and contexts. For example, local control over education would enable the incorporation of indigenous languages and cultures into the curriculum, promoting cultural preservation and social cohesion. Similarly, local governance of healthcare services would ensure that policies are responsive to the unique health challenges faced by rural and remote communities.

## 4.2. Fair Resource Allocation

A more equitable distribution of resource revenues is essential. This could involve revising the existing revenue-sharing agreements to ensure that Sarawak receives a fairer share of the profits from its natural resources. Transparency in the management and distribution of these funds is also necessary to build trust (Ng, 2020).

Implementing a revenue-sharing model that reflects Sarawak's contribution to the national economy would address longstanding grievances and enable more significant investment in local development. For instance, increasing the oil royalty to 20% would provide substantial additional funds for infrastructure projects, social services, and economic diversification efforts.

## 4.3. Development Initiatives

Targeted development initiatives to improve infrastructure and socio-economic conditions in Sarawak are needed. This includes investing in education, healthcare, and transportation infrastructure to bridge the development gap between Sarawak and Peninsular Malaysia (Jawan, 2021).

Development initiatives should prioritize areas that have been historically neglected. For example, expanding healthcare infrastructure in remote areas would improve access to essential services and reduce health disparities. Similarly, investing in educational facilities and programs tailored to the needs of rural communities would enhance educational outcomes and opportunities for young people.

## 4.4. Federal-State Dialogue

Establishing a formal, regular dialogue between federal and Sarawakian officials can help address ongoing issues and prevent future conflicts. This dialogue should be based on mutual respect and a commitment to resolving disputes amicably.

A structured dialogue mechanism would facilitate ongoing communication and collaboration between federal and state governments. This could involve regular meetings, joint committees, and collaborative planning processes to ensure that Sarawak's concerns are addressed and that policies are developed in a spirit of partnership and cooperation.

## 4.5. Protection of Indigenous Rights

Ensuring the protection of indigenous rights and land is essential. This can be done through stronger enforcement of NCR land laws and involving indigenous communities in decision-making processes regarding land use and development projects (Majid Cooke, 2020).

Protecting indigenous rights requires a multi-faceted approach. Strengthening legal protections for NCR land, ensuring fair compensation and consultation in development projects, and promoting community-based development models are crucial steps. Empowering indigenous communities to participate in decision-making processes would ensure that their rights and interests are respected and

protected.

#### 4.6. Political Reforms

Political reforms that increase the representation and influence of East Malaysian states in the federal government are necessary. This includes ensuring that Sarawakian parties have a significant role in decision-making processes and that the interests of Sarawak are adequately represented in national policies.

*Example:* Implementing a proportional representation system in federal elections could ensure a fairer distribution of political power and better representation of East Malaysian states. Additionally, constitutional reforms that guarantee greater political autonomy for Sarawak would address long-standing grievances and promote a more inclusive political system (Weiss, 2018).

#### 4.7. Resolutions in Education

To address these educational challenges, the following measures could be implemented:

- **Decentralization of Education Policy:** Allowing Sarawak greater autonomy over its education system would enable the state to tailor its curriculum to reflect local needs. This could include the inclusion of indigenous languages in the curriculum, as well as more culturally relevant teaching materials that resonate with the local population.
- **Infrastructure Investment:** Increased investment in rural schools is critical. Building better school facilities and providing modern learning tools, including digital resources, would help bridge the education gap between Sarawak and Peninsular Malaysia. Improving transportation networks would also make it easier for students from remote communities to attend school regularly.
- **Teacher Training and Retention:** Initiatives to train and retain more local teachers who are familiar with Sarawak's unique cultural and linguistic landscape would improve educational outcomes. Providing incentives for teachers to work in rural areas and offering continuous professional development could also enhance the quality of education in the state.

By addressing these challenges, Sarawak can work toward closing the educational gap with Peninsular Malaysia and better equipping its younger generation for future opportunities.

### 5. Conclusion

Upholding the relationship between Sarawak and the federal government of Malaysia is critical for the nation's unity and development. By addressing issues of autonomy, resource allocation, development, indigenous rights, and political representation through the proposed solutions, a more harmonious and effective federal-state relationship can be achieved. This will not only benefit Sarawak but also contribute to the overall prosperity of Malaysia.

Resolving the issues between Sarawak and the federal government requires a

commitment to dialogue, mutual respect, and equitable development. Implementing these solutions would foster a more inclusive and cohesive federation, where the diverse needs and aspirations of all states are acknowledged and addressed. This would strengthen national unity, promote sustainable development, and ensure that all Malaysians can share in the benefits of progress and prosperity.

### Conflicts of Interest

The authors declare no conflicts of interest regarding the publication of this paper.

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