

THE MALAYSIAN GREEN ECONOMY DEVELOPMENT EXPERIENCE: AN INSTITUTIONAL FEASIBILITY STUDY OF BIOFUELS

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Abstract:

The Malaysian state of Sarawak on the island of Borneo is rich in biodiversity but very poor economically. Sarawak tops the national government's list for poverty reduction through renewable energy sector development. Non-edible, low-input *Jatropha* is popular as a smallholder crop that has global biofuels market demand. To what extent can *Jatropha* reproduce the success of palm oil, which reduced poverty in Malaysia? This article is a fieldwork-based case study that investigates the commercial development process of the *Jatropha* biofuels value chain in Sarawak. Two biodiesel export companies were selected which are competing for land expansion. A novel multidisciplinary framework, Institutional Feasibility Study (IFS), is introduced and applied. The analysis finds that Borneo natives face social and economic discrimination from national affirmative action policies, but strong sub-national formal institutions provide protection for informal institutions like the native customary land rights of longhouse communities. Commercial ventures are creating a viable environment for cash crop cultivation by exploiting the policy gap to access native customary lands using social capital to reap economies of scale in production and competitive advantage. Ultimately, *Jatropha* production is compatible with national poverty reduction plans, but risks destroying local agricultural biodiversity in the long run.