

CHAPTER SEVEN

SUMMARY AND CONCLUSION

7.1 INTRODUCTION

Sarawak is well known for its tropical rainforests. It is one of the world's leading suppliers of tropical hardwoods. Its forests have a unique bio-diversity and considerable eco-tourism potentials. Logging activities in the state have been characterized by serious abuses and conflicts. The conflicts between traditional users of the forest and commercial loggers, the adverse environmental impact of logging on indigenous communities (who claim customary rights over the forest), as well as violations of these rights have drawn considerable international attention in recent years. How have political and economic forces influenced each other in determining the role and consequences of timber logging in the state? What has been the impact of this relationship on rural communities? In attempting to answer these questions, this study has focussed on the following: -

- i. Ownership and control of the timber industry – Who owns these timber companies? Whose interests have the owners served?
- ii. What is the nature of the logging concession system?
- iii. What have been the roles of public policies and market forces in shaping and guiding the industry? What has been the role of the state? What has been the role of international demand and the market for timber exports?
- iv. In what ways are rural communities affected by the development of the timber industry?

7.2 FINDINGS

This study found that the timber industry in Sarawak is dominated by a handful of large companies. These companies are licensed to log huge concession areas, often larger than various administrative districts, in Sarawak and other parts of Malaysia. The companies have gained good profits from Sarawak timber. In general, profit rates of timber companies exceed the average in both Sarawak and other Malaysian states. Some of these companies are listed in the Kuala Lumpur Stock Exchange. Some have extended their logging activities outside Sarawak and diversified into other activities. In some instances, they work in partnership with foreign investors, particular Japanese.

A few families, often related, hold majority equity capital in these companies through a network of subsidiaries and interlocking directorship. The involvement of political party leaders in equity ownership and directorships suggests that the companies gain access to the state's timber wealth through political linkages. Prominent members of component parties in the state and national ruling coalition, the Barisan Nasional, hold equity capital and directorship positions in the companies. Close links between timber merchant families and politicians are almost as old as the post-colonial logging industry in the state. The rise and fall of personalities in the political scene have been paralleled by their fortunes in terms of share ownership and directorships of successful timber companies.

What do the political allies get in return? It has been reported that timber money has financed political campaigns, often crucial in influencing government election results. This suggests that control over timber licences ensure political patronage and election finance, contributing to the maintenance of political power over the state.

Perhaps this explains why the state chief minister has jealously retained the power to approve timber licenses over the years. Forestry is a state (not a federal) matter. No politician from outside Sarawak has been involved in the timber companies except for a Sabahan politician and the current Prime Minister's son.

Sub-contracting is common in the logging industry. A timber concessionaire is seldom the logger. He is more akin to the rentier – he gets the concession and sub-contracts it in return for payment. The sub-contractor finds the capital, employs equipment and workers, and organises the marketing of the logs. Variable costs, which affect profits, include royalties payable to the state government for harvested logs. Many logs and logged areas are considered ruined because careful handling is uneconomical. Cheating leads to low forest rent capture rates for the State Government coffers. The World Bank (1992) also estimates that under-invoicing and tax evasion channel substantial rents away from the government to revenue collectors, politicians, logging contractors, concessionaires and log buyers.

The Sarawak State Government enjoys higher revenues compared to most Malaysian State Governments and timber revenues have represented the lion's share of its revenue. This revenue can be beneficially used for the development of the state, which is relatively less developed than many other Malaysian states. The subjective determination of stumpage value is a major source of cheating. The poor design of the timber concession system, which leads to low rent capture by the State Government, is a foregone opportunity to improve Sarawak society.

The timber industry generates substantial, but often temporary employment opportunities and offers comparatively higher cash incomes. However, wages comprise a small portion of total revenues from timber. In addition, work in the logging industry

involves high risks. The regulation of insurance and accident compensation requires major improvements.

Sarawak is an export-oriented economy with Japan its most important trading partner. Timber has been a major export earner, at least since the sixties. Most timber from Sarawak is exported in the form of round logs and sawn timber - industrialisation has proceeded at a relatively slow pace in the state and value-added by timber manufacturing industries has been low. Japanese buyers and Japanese economy affect timber demand, prices and export values. More recently Japan has found alternative suppliers of tropical timber, lowering prices, but the greatest threat to the Sarawak timber industry is from the depletion of timber resources.

Official policy prescribes sustainable forest management and environmental protection. However, the lack of personnel makes these difficult to implement and enforce. Key players - such as politicians, timber merchants and logging contractors - prioritise personal benefits over proper forest management. Over the years, logging has reduced forested areas and degraded the environment. The adverse effects of logging include water pollution, destruction of water catchment areas, floods, as well as the depletion of timber, jungle produce, wildlife and fish. All this has affected the livelihoods of traditional users of the forests and culminated in conflicts between logging interests and traditional users of the forest.

Traditionally, the indigenous peoples of Sarawak have usufruct rights over the forest and land. Government legislation and regulations dating from the nineteenth century have been enforced to limit such native customary rights. Initially, the indigenous peoples attempted to negotiate with the logging companies and to appeal to the government, but responses by the companies and the government have proved

disappointing. Very often, indigenous initiatives have been ignored and indifference has been common. The indigenous peoples have resorted to publicity and other campaigns, drawing support in international and domestic communities. Some adversely affected communities resorted to blockades in the late eighties. Reports on the alleged violations of such indigenous rights have been forwarded to SUHAKAM, the recently formed Malaysian human rights commission.

Further government legislation has been passed to officially outlaw such indigenous actions. Paramilitary personnel and the police have been employed to contain dissent. The legislation also protects these personnel from accountability for property damaged in the process of handling dissent. Many protesters have been arrested, and a few tortured. A child at a blockade site died, probably as a result of the tear gas used by the Police Field Force while a girl was raped by paramilitary personnel. The movements of various activists in the state have been checked by the confiscation of their passports while outside activists have been expelled from the state.

7.3 NATIVE CUSTOMARY RIGHTS – RECENT LEGAL DEVELOPMENTS

Central to the conflicts over forests has been the issue of native customary rights (NCRs). On 12 May 2001, a landmark judgement by Justice Datuk Ian H. C. Chin in the case of *Nor Ak Nyawai & 3 Ors v Borneo Pulp Plantation Sendirian Berhad & 2 Ors* stopped the companies from entering the land over which the community of Rumah Nor claimed customary rights. The plaintiffs were headman Tuai Rumah Nor Ak Nyawai and three others, who represented their longhouse community, Rumah Nor. The defendants were Borneo Pulp Plantation Sendirian Berhad, Borneo Pulp and Paper Sendirian Berhad, and the Superintendent of Lands and Surveys, Bintulu. According to

the court, NCRs have survived government legislation. The court recognised the customary rights of the plaintiffs over the disputed land and held accordingly. This legal development opens an avenue for legal recourse, hitherto unavailable to Sarawak's indigenous peoples in their customary rights' claims to the forests (Rengah, 2001a).

7.4 CONCLUSIONS

The siphoning of Sarawak's timber wealth by an elite group is also inequitable. To correct the situation, the government may want to consider:

- (1) Timber licensing should be based on open tenders, with preference given to community-based organisations, and
- (2) A committee may be set up to approve timber licences, replacing the present arrangements of approval by the chief minister alone. In Sabah, a committee - rather than the chief minister alone - approves timber licences, as in the past in Sarawak.

Logging has adverse impacts on the environment, and the sustainability of Sarawak's forest resources is in grave doubt (as can be inferred from Table 2.1 and Figure 2.2). Further declines in log production, timber exports and state government forest revenues is to be expected. Further falls in the standard of living of rural communities can be expected. The Environmental Protection Act should be effectively implemented in the state in order to improve forest management. In addition, implementation of insurance scheme for logging workers should be expedited. Programmes should be designed to reduce the high rate of logging accidents.

Inquiries should be conducted to investigate alleged abuses of power by paramilitary personnel engaged in dealing with indigenous communities. Legislation

should hold them accountable in line with principles of natural justice as well as respect for human rights and human life.

As stated earlier, the issue of NCRs is central to indigenous claims to the forests. The scope of this study on the political economy of timber in Sarawak has excluded legal aspects of NCRs. Such a legal study of NCRs is urgently needed, especially in light of the latest legal developments.

It is usual for the greedy everywhere to exploit resources and systems to their own advantage. Collusion among elite frequently occurs, and this results in inequitable distribution of resources while jeopardising the welfare of the majority. In a progressive society, laws and legislation should be used to regulate society to advance social and environmental justice. However the elite in Sarawak has abused the legal apparatus in its quest for huge personal gains from the state's previously abundant forest resources. Ultimately, all policies and laws should be implemented and enforced to enhance social welfare and justice.