

CHAPTER ONE

INTRODUCTION

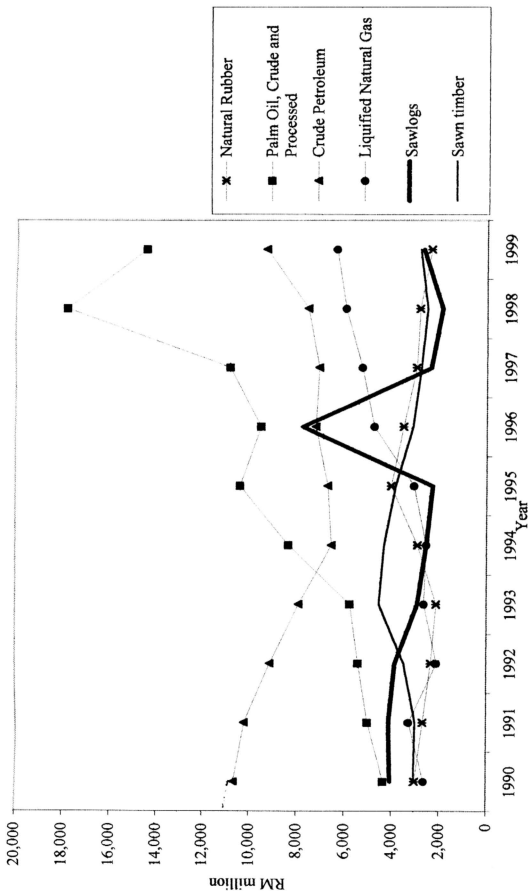
1.1 STATEMENT OF PROBLEM

Over the past few years, international publicity about local native blockades against logging has put Sarawak's timber industry in the limelight. The focus centres on overlogging, and the conflict between traditional users of the forest and timber loggers. At the heart of the conflict is the political economy of timber (INSAN, 1992 and Colchester, 1992).

Malaysia has been a dominant player in the global tropical log trade. It has been the world's largest tropical log producer. An export volume of 7.864 million cubic metres made it the top exporter of tropical logs in 1995 (FAO, 1997, quoted in World Rainforest Movement and Forests Monitor, 1998). This represented 53 per cent of exports from countries in the International Tropical Timber Organisation or ITTO (*Asian Timber*, 1998). Timber is one of Malaysia's largest export earners. In 1999, sawlogs and sawn timber export earnings came to RM5, 469 million, compared to RM14, 475 million for palm oil (crude and processed) and RM9, 306 million for crude petroleum. Timber (sawn logs and sawn timber) has been the fourth most important primary export commodity since 1990 (Figure 1.1).

In 1992, the World Bank estimated that Malaysia's forest depletion rates were very rapid, at 700,000 hectares per annum, compared to the remaining area of 4.4 million hectares of undisturbed forest. The World Bank felt that if the timber harvesting rate continued, the Malaysian forestry should be regarded as a "sunset industry".

Figure 1.1: Malaysia - Major Exports, 1990-1999



Source: Department of Statistics, Malaysia,
Yearbook of Statistics, Malaysia, various issues

An important factor causing the fast depletion of timber resources has been the government forest revenue system. Most government revenue is collected and controlled by the federal government. Under the constitutional framework, the state governments are only allowed to collect land-related revenue, including timber duties. Timber has been an important source of revenue for some state governments, particularly for Sabah and Sarawak, where most remaining Malaysian timber resources are concentrated. Hence, a higher rate of timber exploitation would mean higher state government revenue.

It is now common knowledge that timber concession has largely been granted to politicians or leading businessmen as a reward for or to secure their loyalties to the ruling party. The politics of timber patronage is entrenched in the political economy of Sarawak. The extent of this patronage was revealed in the run-up to the 1987 state elections. In response to an attempt by a dissident group within the state ruling coalition (Barisan Nasional) to topple his leadership, Chief Minister Taib Mahmud called a snap election. Taib then froze 25 timber concessions for 1.2 million hectares, worth RM22.5 billion, in order to prevent the "wealth of the state from being concentrated in the hands of a few individuals" (*New Straits Times*, 12 April 1987). These "few individuals" referred to the relatives and associates of his uncle, Rahman Ya'akub, Taib's predecessor. Rahman Ya'akub's group retaliated by publishing, in a local newspaper controlled by him, a list of shareholders of companies holding timber concession totaling 1.6 million hectares, who were purportedly supporters of Taib Mahmud. The total timber concessions held by the two camps accounted for about 30 per cent of the total forested area of Sarawak. Cancellation of the timber concession prompted the aggrieved companies to take legal action against the Taib government, but this was pre-empted by the Sarawak Forest (Amendment) Ordinance (1987), which accorded powers to the Minister of Forest to revoke timber concessions.

How have the traditional users of the forest fared? Many depend on forest resources to supplement their income (e.g. from the sale of illipe nuts and rattan collected) and diet (wildlife, fish, non-wood food products). The forest is the main source of water and also provides medicines for local cures. Parts of the forest may serve as ancestral burial grounds. For some, the forest supplies wood for housing. The forest is more than just a resource base. It is the home and the whole environment to many indigenous peoples (see also Brosius, 1992 and Langub, 1992). According to native customs, usufruct is practised on land and in forest matters - the right to land and forest is exercised through use. Hence the indigenous peoples claim (native) customary rights (NCR) over certain forested areas. Besides individual rights over forests, there are communal rights over forests for the use of the whole community e.g. common hunting and fishing grounds. Publicity of the mid and late 1980s protests staged by rural communities highlighted their attempts to protect their traditional rights to timber resources. They set up blockades on logging roads traversing native customary land and applied for communal forests to be set aside for their use.

It is pertinent at this point to critically examine the contributions of the timber industry towards development in Sarawak. The problem should be analysed from a holistic, social and historical approach, encompassing political and economic aspects.

1.2 AIMS AND OBJECTIVES OF THE STUDY

This study attempts to examine two central questions about the timber industry in Sarawak for the period 1980-2000. Firstly, how have the political and economic forces influenced each other in determining the role of timber/logging in the state? Secondly, what has been the impact of this relationship on rural communities? In attempting to answer these major questions, the following questions will be addressed: -

- i. Ownership and control of the timber industry - Which owns the equity capital of the timber companies? Whose interests have the owners served?
- ii. What is the nature of the concession system? What is the log disposal policy?
- 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 Ministry of Forestry/Resource Planning ?
- iv. In what ways do rural communities benefit from the development of the timber industry?

1.3 JUSTIFICATION FOR THE STUDY

This focus on the timber industry can be justified on two grounds. Firstly, there has been relatively little work done on this topic besides some pioneering work on the political economy of the industry. Secondly, the industry has been a major contributor to the economy of Sarawak since decolonization in 1963. It plays an essential role in the Sarawak economy in terms of government revenue, foreign earnings, gross domestic product and employment (see Wee, 1995, and Chapters 2 and 3 of this study).

There are two pioneering studies on the political economy of Sarawak, that is, by the Institute of Social Analysis (INSAN) (1992), *Logging Against the Natives of Sarawak* and Colchester (1992), *Pirates, Squatters and Poachers: The Political Ecology of Dispossession of the Natives of Sarawak*. The book by INSAN comprises of four main articles, three of which are directly relevant to the present study. The first article provides detailed information on the distribution of timber concessions in Belaga district. Based on data collected in the period 1985-86, it confirms the close relationship between political power and family ties. Of the thirteen timber companies examined, eleven were owned by senior party leaders of the Parti Bumiputra Bersatu (PBB), which is currently the dominant political party in the Sarawak Barisan Nasional. Ownership

changed hands with changing political alliance. All Sarawak's state ministers of forestry had been from the Malay-Melanau elite and, have been members of the main ruling party, the PBB, since 1966 up to the time of writing. The power to grant or withdraw logging licences lies entirely with the minister of forestry. During 1970-81 and since 1985, the Chief Ministers have kept this portfolio for themselves. In contrast, the local communities whose land has been affected, gain little from logging.

The timber industry, in fact, led to deterioration of the quality of life of the rural people in two ways. Firstly, it has decreased the viability of the subsistence economy, which depends, on two factors, i.e. availability of land for shifting agriculture as well as of abundant fish and wild game in the rivers and forests. Secondly, it has weakened the traditional longhouse social structure through payments made by timber companies to some headmen; by accepting payments, the traditional role of the headman - as a mediator within the community, who also articulated his community's grievances - has diminished with the erosion of moral authority. This was also reflected in the response, "betrayal by the penghulu (district headman)", in the four communities surveyed by IDEAL (1999).

The timber industry has improved the accessibility of many remote longhouses by providing road links to the major rivers and towns. It has also paid money to logging industry workers. However, very few rural dwellers benefited directly except as labourers.

The second INSAN (1992) article on logging activities and legal provisions provides insights into the previously neglected industrial safety and accident compensation aspects of the logging problem. This article emphasises that the occupational risks have been very high, with industrial accidents common.

The third article on shifting cultivation and logging in Sarawak provides a forest botanist's insights on the matter. He concludes by noting that traditional shifting

cultivation has not been a threat to the forest and environment, and that forest and environmental degradation has due to the logging industry.

Colchester's (1992) *Pirates, Squatters and Poachers* has examined the timber industry in the context of deteriorating native rights over land. Colchester has quoted Leigh (Leigh, 1979:371) on politics in Sarawak being "concerned essentially with the control of land, timber and minerals. A consequence of the quest to attain power is the accretion of wealth from natural resources." Control of the timber industry lies at the core of the state's political economy. The practice of dealing out logging licences to members of the state legislature has been commonplace for many years. In fact, it has created a class of instant millionaires from among the state assemblymen of the ruling coalition (*New Straits Time*, 15 April 1987).

Timber wealth financed elections as well as campaigns. The whole electoral machinery has been fairly expensive to operate because of the remoteness of many communities and their inaccessibility. Invariably, helicopters have become necessary, so it is taken for granted that no politician can operate effectively in the context of Sarawak without having a tremendous amount of financial resources to call upon. That's where the timber comes in. *Asiaweek* (21 April 1987) estimated that a total of RM62 million was spent in the 1987 state election chasing 625,000 voters.

Colchester (1992) described the use of heavy machinery for the extraction of logs as one of the main problems caused by the timber industry. Increasing soil erosion has reduced soil quality and the capacity for the forest to regenerate itself besides causing heavy river pollution. According to Colchester, only 41 per cent of Sarawak's rivers remained unpolluted, while in many parts, rivers had become permanently turbid. As a result, stocks of fish, which were a major source of animal protein, have been reduced. Hunting, which was an integral part of the rural economy, has suffered heavily as well. Over the thirty years before the time of Colchester's writing, wild meat

consumption fell from 54 per kilograms per person to only 2 kilograms. Logging has also proven very costly in terms of human lives. During the period 1973-94, seven lives were lost for every million cubic metres of logs cut, with one serious injury for every 7,000 cubic metres.

There are two other important documents on the timber industry - the 1990 ITTO report and the 1992 World Bank *Country Report on the Forestry Subsector on Malaysia*.

The main objective of the ITTO was to assess the sustainability of the logging industry in Sarawak in four regards, i.e. (a) timber production (b) water catchment management (c) biological diversity and (d) economic sustainability of natural forest management and the industries relying on it. There are three critical factors for timber production: (i) area available in perpetuity for timber production (permanent forest estates), (ii) expected yields from an area, and (iii) annual increments in the residual (trees left behind after each logging). Logging has influenced the last factor and other silvicultural potential, especially the soil, trees, regeneration, species composition and density. ITTO recommended a sustainable yield of 9.2 million cubic metres per annum (see Section 3.5 of this study). The report emphasised that its recommended sustainable yield "can never be attained" with the current destructive methods of harvesting, with excessive damage caused to residual trees and the environment. It concluded that logging damage was mainly caused by untrained forest workers and inadequate staffing of the Forest Department, leading to insufficient supervision.

The report also noted that there was no mention of water catchment protection and that the strategies of the Forest Department and the standards set for erosion control were inadequate. It proposed (i) strict environmental specification for the design and construction of roads, bridges, etc. and (ii) bans on logging from areas with slopes exceeding 60 degrees, or "where it is administratively impossible, logging once as

carefully as possible with existing methods and then withdraw until more suitable logging system are developed".

Sarawak possesses an exceptionally rich and diverse national flora and fauna. However, totally protected areas in the form of national parks and wildlife sanctuaries cover a mere 253,940 hectares, or 2.04 per cent of land area. The ITTO maintained that although the proposed nine national parks and three wildlife sanctuaries would increase the area under national parks and wildlife sanctuaries to 1,038,469 hectares, or 8.33 per cent of the Sarawak land area, it would still be inadequate as not all important kinds of habitats (e.g. mangrove and peat swamps) were included.

The ITTO report concluded that the existing policies, strategies and practices in respect of timber production were economically unsustainable¹. The report also recommended that the ITTO and the international donor community help with manpower development and planning to achieve such economic sustainability.

Similarly concerned about the unsustainability of existing forests exploitation policies, a World Bank study proposed an 'appropriate' policy, management and institutional remedies for the timber industry in Malaysia. The study also examined the resources of Sarawak's forests and its contributions to the economy. It highlighted environmental degradation, adverse impacts on rural communities and welfare losses imposed on society at large from logging on the one hand, as well as arrangements where only a few timber licence holders captured most of the windfall gains (timber or resource rents) from logging.

Hurst's (1990) *Rainforest Politics* discussed environmental, human and economic consequences of forest degradation, using five case studies, including Malaysia. Timber extraction was identified as the primary cause of environmental problems in Sarawak. As millions of trees were felled without replacement, climatic conditions, soil condition and forest were degraded to the detriment of Sarawak's

inhabitants.

Environmental degradation occurs through the process of soil erosion, siltation, flooding, drought and wildlife loss. Although there has been no thorough soil erosion survey carried out in Sarawak, wide fans of red silt spilling from all river mouths into the South China Sea can be seen from the air. As siltation increased, the stocks of fresh water fish declined. A World Wildlife Fund (WWF) survey of opinions in almost 100 longhouse communities found that 76 per cent of those interviewed perceived a serious decline in fish stocks in recent years. Flooding along the Baram River has increased slightly since logging began in the area. Major floods occurred in 1979 and in 1981, and then in 1984 and 1985. In the 1981 flood, 30 people were drowned, while the 1984 flood claimed four lives and left hundreds homeless.

The native rural communities are closely linked to the land. Rapid expansion of the timber industry has had a profound effect on almost every native community in Sarawak in so far as timber extraction not only causes great environmental damages, but also severely restricts access to forest areas and swidden sites.

1.4 THESIS OUTLINE

Chapter Two will give an overview of the forest sector in Sarawak. It will study the forest resources of the state and evaluate their contributions. These contributions include the role of forest in the environment, the significance of forests in the lives of indigenous forest dwellers and the other rural folk, recreational and tourist potentials, as well as contributions to the formal economy in terms of output, exports and government revenue.

Chapter Three will examine the forest concession system with which the government has managed the state's forest resources. Besides presenting a chronology, it will analyse the concession system in terms of the equity goal and explain how the

system vests power in a group or person. It will study the effect of the system on the conservation of forest resources and for rent capture.

How are benefits from forest resources distributed and who are the major beneficiaries? Who owns the forest concessions in Sarawak? Chapter Four will report on the ownership of timber companies as well as the interests they serve. It will identify the links between timber companies and key individuals in the political arena, and will focus on prominent equity holders and key players in the timber industry.

Chapter Five will look at employment in the forestry sector, focussing on Kapit and Miri Divisions, where the major logging operations are currently taking place. It will review employment opportunities, wage rates, working conditions and other fringe benefits. The problems of industrial accidents and accident compensation schemes will also be discussed.

The welfare loss from the timber industry evokes conflicts between traditional users of the forest and commercial logging activities, which will be discussed in Chapter Six. The chapter will start with the sources of conflicts before going into indigenous responses to logging. It will relate logging activities undertaken by major timber companies to the accompanying indigenous responses.

Finally, Chapter Seven will summarise the major issues and findings raised in earlier chapters and will discuss some implications for rural Sarawak.

¹ Economic sustainability requires an economic structure built upon the utilisation and management of the forests to "continue indefinitely into the future at not less than the present level".