



## **PRESS RELEASE**

(FOR IMMEDIATE RELEASE)

### **INSIGNIFICANCE OF ILLEGAL LOGGING IN SARAWAK**

On 4 March 2016, YB Chong Chieng Jen MP for Bandar Kuching and ADUN for Kota Sentosa wrote on his blog that the main enemy of Sarawak's timber industry is not illegal logging but the monopolisation of the logging industry by the 'Big 6'.

YB Chong went on to say that only a small percentage (less than 1%) of timber production was seized and determined as illegal and therefore it did not warrant the full weight of the government to combat.

YB Chong claimed that the 'Big 6' are the "most detrimental to our Sarawak's overall economy", depriving many of economic opportunities amongst other things.

In this regard, the Sarawak Timber Association (STA) wishes to express that YB Chong's statement and allegations are baseless, misleading, unsubstantiated and politically-motivated to benefit himself without due regard to the contribution of the investors, management and the workers in the timber industry.

While YB Chong is entitled to his own personal political agenda and opinion, STA is compelled to denounce his irresponsible statement, which can and will unjustly inflict damage on the good reputation of Sarawak, especially in the international arena.

As an elected representative, both at parliamentary and state level, YB Chong of DAP is expected to carry out his role as a politician. Nonetheless, YB Chong must remember that he is required to do this in a responsible manner.

Assuming that the figure quoted by YB Chong is correct, it would indeed be heartening to note that "illegal logging is not such a major problem in the logging industry".

STA on the other hand views that illegal logging is a serious matter warranting full commitment by the government to eradicate. We must strive for high standards of practice in order to stand strongly against wrongful accusations. STA views and demands that YB Chong also adopts the same high standard so relentlessly demanded by the leadership of Chief Minister Datuk Patinggi Tan Sri Adenan Satem.

Indeed, it is unthinkable for YB Chong to advocate that it is unwarranted for the government to place its full weight to fight against illegal logging. Before the Adenan-led government exerted full weight into combating illegal logging activities in Sarawak, many NGOs had branded Sarawak rampant with illegal logging activities. Then the government gave full weight to eradicating illegal logging and the results showed that less than 1% of the timber log production was illegal.

The relentless efforts of the government to eradicate illegal activities firstly enable our logging industry to achieve higher standards and secondly put to rest the wrongful and baseless allegations of the NGOs.

Instead of showing meritorious appreciation of the government's efforts and that the timber industry has shown very low illegal logging activities, YB Chong has now changed his tune and turned to blame the successful timber companies in Sarawak ('the Big 6') as "most detrimental to our Sarawak's overall economy", depriving many of economic opportunities.

As an elected representative at both state and federal levels for more than one term, YB Chong knows or at least ought to know that the timber industry in Sarawak started during colonial times, in the 40s and 50s in swamp forests and then moved to logging in hill forests in the 60s.

In those founding days, the pioneers and the founders of timber companies persevered in very difficult working environments. Many of these companies suffered and failed to continue their operations although some did survive and grow to the present day. Many of the founding members of the Sarawak timber industry endured severe hardship for the success of their companies.

It is equally heartening to note that in spite of the hardship and challenging environment, some of these timber companies were able to grow and achieve respectable economic status. These companies generate good revenue for the GDP and coffers of the state government as well as provide a major part of some 100,000 direct and indirect employment opportunities.

Furthermore, with experience in finance, management operations and marketing, these timber companies were able to carry out integrated timber businesses from upstream to downstream activities, mostly undertaken by Sarawakian companies. The Sarawak timber industry's huge investment in roads, bridges, camp facilities, numerous equipment and heavy machinery are equal in capability with world players.

The state government has targeted to have six million hectares as Permanent Forest Estate, which are managed on a sustained yield basis for log production. However implementing sustainable forest management is tedious and expensive. It therefore requires long-term security of tenure with an adequate annual operating area to ensure economic viability. As early as the 1970's, the state government had the foresight to issue long-term forest timber licenses to competent logging operators.

The 'Big Six' are recognised as responsible forest managers and the government has entrusted them to manage most of the long-term licences. Sarawak should also be proud that our timber industry, led by the 'Big Six', has some of the most modern and sophisticated veneer and plywood mills in this region. The production and export of plywood have contributed enormously to the state's economy. In 2015 alone, the revenue generated from the sale of plywood to overseas markets exceeded RM3 billion.

The state's production forests are located in the interior regions of Sarawak and therefore operating costs are high especially in building and maintaining road infrastructure to bring in workers and machinery to the forest concessions as well as to transport the logs out. Furthermore, the state government now requires logging operators to go for certification in implementing sustainable forest management. This requires resources, expertise and commitment to obtain sustainable forest management certification when carrying out the logging operation. It is therefore unfair to accuse the government of giving the monopoly of the timber industry to the 'Big Six'.

Sustainable forest management can only be realised if there is long-term security of tenure together with sufficient forest area to maintain the cutting cycle. It is therefore illogical to fragment the current long-term licensed areas into small licences and allocate them through open tender. This will defeat the main objectives of the government to eradicate illegal logging and to ensure that the state's forest resources are legally and sustainably managed.

Recent research by Chatham House revealed that high levels of illegal logging in Brazil, Indonesia, Papua New Guinea and many countries in Africa are due to small-scale operators. Therefore Sarawak should not fall into a similar situation through the issuance of small licenses as suggested by YB Chong.

The government has set aside an adequate quota for logs to be used by local mills every year. In fact, based on actual production records, about 66% of the logs produced between 2011 and 2015 were utilised by the local mills. For good quality logs that have high market value, the government has allowed them to be royalty marked as export logs for sale to overseas buyers. This is to ensure that these logs are sold at prices commensurate with quality.

Imposing a total ban on log exports does not solve the problem of a log shortage facing local mills because these mills are not willing to buy the logs from producers at market price. As the production cost for logs is high, they cannot be sold to local mills at a loss.

If YB Chong is suggesting that the government withdraw all or most of the licences or permits issued to the 'Big 6' and instead award them to many small companies in order to not deprive "many of economic opportunities", then YB Chong clearly doesn't understand anything about the economy and business of the timber industry.

Imagine if the 'Big 6' were to stop or substantially reduce timber operations in Sarawak, what would happen to the livelihoods of the 100,000 direct or indirect employees or workers? Try to tell these workers that many of their jobs would cease to exist and their families would be subject to unemployment and the uncertainties of life.

Imagine if the 'Big 6' were to "give way" to the so-called deprived many, who would be capable in finance and operations management? Who would take over all the mills, heavy equipment and machinery, roads and bridges, market access, the large revenue for the state government and the 100,000 or so direct and indirect workers?

The 'Big 6' has as much as 50 years' experience in the timber industry and employed the billions of assets necessary to run a competitive timber industry. YB Chong's utterly irresponsible suggestion is unthinkable as it would kill the well-being of the timber industry for the benefit of his so-called deprived "many" -- who they are we do not know.

In addition, in the successful economic structure of any society in the world, it is important to have a fair composition of petty, small, medium and large industry players.

It would be unthinkable and unwise for a coffee shop operator to run a global business, or a big company to run a noodle stall in a coffee shop.

If that happened the state economy would be chaotic and truly detrimental to our state economy.

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