

DEFORESTATION IN MALAYSIA : AN ECONOMIC PERSPECTIVE

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ABSTRACT

Tropical forests play a significant role in the conservation of biodiversity and known as one of the most complex ecosystems in the world. Unfortunately, at the end of the twentieth century, it is estimated that the world has lost approximately 40 per cent of the original forest area of 6,000 million hectares over the last 8,000 years and most of the loss of forest area is a direct consequence of human interference in the 20th century. Thus, the scope of this report is to discuss deforestation in Malaysia, particularly in Sarawak. One of the economic phenomena that may have contributed to the problem such as logging will be discussed. In addition, the efficiency and effectiveness of the policies that have been undertaken by the government to solve the problems such as concessions, and also the impediments which may be encountered in applying those policies are also provided in this paper.

INTRODUCTION

Tropical forests play a significant role in the conservation of biodiversity (Ismail 2000). These forests have evolved over millions of years and are the homes of up to 70 percent of world's plants and animals, which covers more than 13 million different species (Malaysian Timber Council (MTC) 2003a ; Canadian Forestry Advisers Network (CFAN) 2003a).

The tropical rain forest is a distinctive natural heritage and known as one of the most complex ecosystems in the world (MTC 2003b). It gives natural eco-habitats for both flora and fauna, and also helps to preserve wildlife and genetic resources. The forest is important because it supplies food and shelter for various kinds of mammals, reptiles, amphibians, fishes, birds and insects. In addition, forests are also essential for the regulation of the climatic and physical conditions of the country, as well as to conserve water supplies, to ensure environmental stability and to minimise damage to agricultural lands.

Moreover, tropical forests are also important to the indigenous ethnic groups such as the Penans in Sarawak, Malaysia, where approximately more than half a million of these indigenous people live in or at the edge of the tropical forests. They depend on the forests for many important products, environmental services and for their way of life. They not only meet their economic needs for food and shelter, but also form an essential part of their culture and spiritual traditions.

Unfortunately, at the end of the twentieth century, it is estimated that the world has lost approximately 40 per cent of the original forest area of 6,000 million hectares over the last 8,000 years (CFAN 2003b). Most of the loss of forest area is a direct consequence of human interference in the 20th century. This is due to deforestation in developing countries. While much of the destruction of tropical rain forests is driven by national and international economic forces, the most significant damage is contributed by the continuation activities on a local level. For example, logging is best known as one of the major causes for deforestation in Malaysia.

Deforestation is a serious problem faced by Malaysia. Thus, the scope of this report is to discuss deforestation in Malaysia, particularly in Sarawak. One of the economic phenomena that may have contributed to the problem such as logging will be discussed. In addition, the efficiency and effectiveness of the policies that have been undertaken by the government to solve the problems such as concessions, and also the impediments which may be encountered in applying those policies are also provided in this paper.

Deforestation in Sarawak

Deforestation has received much attention in the recent years especially in Sarawak, Malaysia. With serious long-term economic and social consequences, tropical deforestation is now extensively known

as one of the most critical environmental problems faced by the world today. Deforestation can be referred to as the loss of forest cover where the land is permanently converted from forest to agricultural land, grazing area, cattle pasture, homes, lakes, desert, or dam reservoir (Mongabay 2004a).

Forest products play a vital part in the economy of Malaysia. Short-term economic exploitation through deforestation is overwhelming to the long-term economy of the country not only by destroying potential forest products, but also by destroying vital ecosystems. It is, thus, believed that Malaysia will continue to deplete her forest stocks, and possibly in the future have to import wood from temperate regions such as the United States, the former Soviet Union and Canada as her economies continue to develop. Malaysia has seen a 60 per cent drop in log exports due to diminishing harvestable forest resources. At the twenty-first century, it is estimated that only 10 of the 33 tropical countries that export timber will still be able to export (Mongabay 2004b).

The major causes of tropical rainforest destruction in Sarawak are from human activities which mostly are avoidable. The humans' role in the deforestation is significant and extensive. In Sarawak, a state which is nearly the size of England, half of its area is reserved for logging, 8 percent is to be permanently preserved and the rest would be deforested for development (EE 1996a). It is reported that approximately 30 percent of the forests in Sarawak have been cleared since 1962 (European Parliament Report 1988).

It is estimated that the primary forests of Sarawak will be gone in 5-8 years if the logging continues at its current pace. Due to deforestation in Sarawak, the indigenous people face problems such as river pollution, depletion of forest resources and wildlife. The destruction of the forests reduces their supplies of forest food such as fruits, vegetables and wild animals, and other non-timber products such as rattan. Their supplies of water and fish are also affected due to soil erosion. Currently, the lands of indigenous people such as the Penans are being disrupted with deforestation. Worst yet, they are given little compensation for losing their source of livelihood and their culture from the companies that exploit their lands. It is, thus, believed that the deforestation in Sarawak could lead to serious outcomes on the food resources, ecology and livelihood of the native people in Sarawak.

Evidently, by deforestation, the renewable forest resources are being jeopardized by the country and this is an important part of their economic future because the forest provides vital socio-economic returns. It should be protected in order to guarantee maximum and continued benefits.

Policies, Politics, Law and Logging Industry

In Malaysia, logging activities are dominated by Sarawak, which is the largest state in Malaysia, located on the island of Borneo (Forests Monitor 2001a). Sarawak, both as producer of tropical logs and as home to the main timber companies, controls the Malaysian forestry sector.

Sarawak is also known to be the world's largest exporter of tropical logs, particularly to the markets in Japan, Taiwan and Korea. However, as a result of activities by Malaysian controlled companies, the level of exports from Sarawak to Japan has been decreasing slightly over years (Forests Monitor 2001b). The decline is also known to be inline with the Sarawak state policy to enhance the number of logs processed locally so that the state could implement the sustainable management of its diminishing forest resources due to deforestation.

Over 152 cases of illegal logging were spotted by the Malaysian State Forestry Department, within five years from 1991 to 1996 (MTC Statistics 1998b). Unsustainable logging of tropical rainforests appears to be increasing, regardless of improved logging techniques and greater international awareness and concern for the rainforests. In Sarawak, the consequences are apparent through uncontrolled deforestation.

Malaysia, once known on paper to be the world's largest exporter of tropical woods, is believed to have one of the best rainforest protection policies among developing countries in Asia (Mongabay 2004c). Although Malaysia has the policy framework for sustainable forest management such as National Forestry Policy 1978 (Revised 1993), Sarawak was given the power to set its own land policies. Sarawak has a state government, which is separated from the central government, as it only joined the

Malaysian Federation in 1963. As a consequence, about 30 percent of Sarawak's total forest land was logged from 1963 to 1985 (MTC Statistics, 1998c). It is believed that it has failed to enforce the legislation as the logging activities still carry on as it always has.

One of the major problems with logging is the limited terms of concessions. A short concession gives little incentive to replant and encourages the cutting of young trees before they reach efficient harvesting age. The result is that when a logging firm pulls out of an operation, the forest stock is heavily destroyed and will take years to recover (Mongabay 2004d). The policy of tendering for a timber concession favors those who have a long term interest in the timber industry. The policy is designed to encourage those who also handle timber processing and downstream activities.

The government is looking into lengthening the duration of concessions as it encourages responsible forest management. This is clearly seen in Sarawak where there are approximately 12 concession holders, with average concession duration of 25 years. While the concession describes the physical area, its features and boundaries, the licence constitutes the right to log the concession. This describes the terms, duration, forestry management techniques to be implemented. Licences are supplied by the relevant state forestry departments.

According to the Head of the Sarawak Natural Resources and Environmental Board, indiscriminate logging practices have created serious erosion and caused destruction to river systems, with as much as 60 million tonnes of soil being poured into rivers annually. The previously clear rivers have turned muddy due to logging related activities such as the building of roads and skid trails (Forests Monitor 2001d). Hence, the timber companies have been asked to prepare Environmental Impact Assessment reports (EIAs) before carrying out logging activities in order to combat the problems. These are supposed to include ways to minimise sedimentation and soil erosion. Those companies which do not comply would not be able to renew their annual logging permits.

However, the influence of the logging industry on the politics and laws in Sarawak should not be underestimated, particularly with regard to obtaining licences to log and to forest policy more generally (Forests Monitor 2001c). The rapid expansion of the logging industry in Sarawak, including the rise of a few dominant players, is the result of co-operation between corporate leaders and politicians who have control over access to the forest resource. As reported by William W. Bevis, an American academic :

“The biggest problem in Sarawak is that loggers and government are one and the same.”

Nevertheless, the awarding of concessions and other licences to log as a result of political patronage, rather than open competitive tender, has been the norm in Sarawak. For example, the top politicians in Sarawak have long been awarding logging concessions to themselves, their families, and their supporters. As reported in 1997, the logging concessions controlled by the Chief Minister of Sarawak have been established to be worth about RM10 million. Surprisingly, the Minister of the Environment owns at least 180,000ha in logging concessions himself and pioneered hill logging with bulldozers (EE 1996b & Forests Monitor 2001e).

Many world bodies such as the ITTO have recommended that the Forestry Department in Sarawak simply freeze logging concessions, but any commitments made by the Malaysian government have not yet been translated into practice as there are large profits still to be made (Utusan Konsumer 1988 & MTC Statistics 1998d). When the State Environment Minister was asked about World Bank warnings that logging in Sarawak will prove a “sunset industry” if it is not controlled, he reported that the logging will carry on forever as the timber is being cut prudently to allow a “sustainable” industry. He also claimed that the Sarawak's selective logging policies and practice do not diminish the forest. The adverse environmental impacts caused by logging are only temporary (EE 1996c). The Sarawak's selective logging policies, or also known as selective management system are supposed to call for the felling of 8 to 12 mature trees for every 2 ½ acres, replanting and then allowing the area to regenerate for 25 years until the next harvest cycle.

The present system of handling out concessions for free is unaccountable, and does not generate fair revenue to the state. Political abuse and patronage are extensive, as concessions are handed out as a form of political favours to reward politicians' allies and buy off opponents.

There are major discrepancies in the Malaysian Timber Council requirement for EIAs, for example, it is only necessary to submit an EIA report with a concession area of more than 500 ha, and that only those concessions approved on or after April 1, 1988 are required by the Act to submit anything at all. As political elite in the state are dependent on the wealth generated from timber exploitation for their personal gain, measures and policies initiated at the federal level cannot be enforced in Sarawak. In order to evade the necessity of submitting EIAs, many new logging concessions were claimed to be extensions of concessions awarded before the 1988 cut-off date. Large concessions are appropriated into areas less than 500 ha and awarded to different subsidiaries of the same parent companies (MTC Statistics 1998e).

There have been persistent complaints and reports by affected communities with regard to illegal felling, pollution of water-catchments, removal of protected tree species and damages to their farmlands due to logging activities, yet no action has been taken by the government. In 1991, it was shown that the combined acreage of Chief Minister of Sarawak and his influential uncle (who was actually his predecessor) amounted to half the forest land in Sarawak still available for logging at that time. Foreign timber companies in Malaysia have to pay Malaysian taxes, but their financial statements often end up showing losses or only small profits, a trend which is largely ignored by state officials. Politicians face an election every five years, and if they lose, their successors could revoke the concessions. Therefore, there is great importance on getting as many logs as viable out of the rain forest as quickly as possible.

CONCLUSIONS

In a nutshell, the close connections between political elite and logging companies persist to this day. Presently, the state authorities are not going to cease the logging operations in Sarawak. Moreover, it is doubtful that they will review the present controversial forestry policy. Besides the fact that licensing decisions are made by the Chief Minister in his additional function as Minister of Resource Planning, new legislation has been introduced that grants the Chief Minister alone the power to revoke timber concessions. No legal challenge to the revocation of licences is now possible and no reasons need to be given. This ensures that anyone with a logging interest remains loyal to the Chief Minister or risks losing their licence. Such close connections between politics and timber exploitation means that there is little incentive to protect forests or to protect and enforce native people's rights.

It is suggested that reforming to natural resource policies and other policies affecting forest lands should be given the highest priority in order to enhance the effectiveness of forest policies. Forest policies should reflect the environmental importance of the forests as well as their economic value and the appropriate roles of the public and private sectors in implementing the policies. Moreover, increasing the transparency of business transactions and standardizing the procedures of awarding concessions could be also implemented to improve forest management.

Therefore, it is also believed that by stimulating open competition through auctions, questionable concessions granted to political friends can be reduced. Instead of bribes, concession could be granted to the bidder that offers the most, both in terms of cash and environmental impact.

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