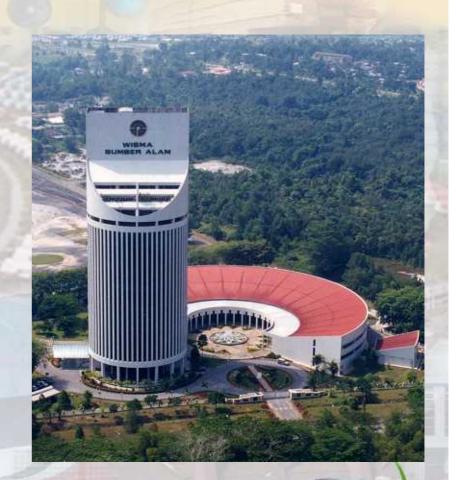
Chain of Custody for Timber Products Exported from Sarawak

Presented by:

Mr. MOHD HINRI ABDULLAH

Assistant General Manager, Preventive & Enforcement, Sarawak Timber Industry Development Corporation

> 3rd December 2007 Yokohama, Japan

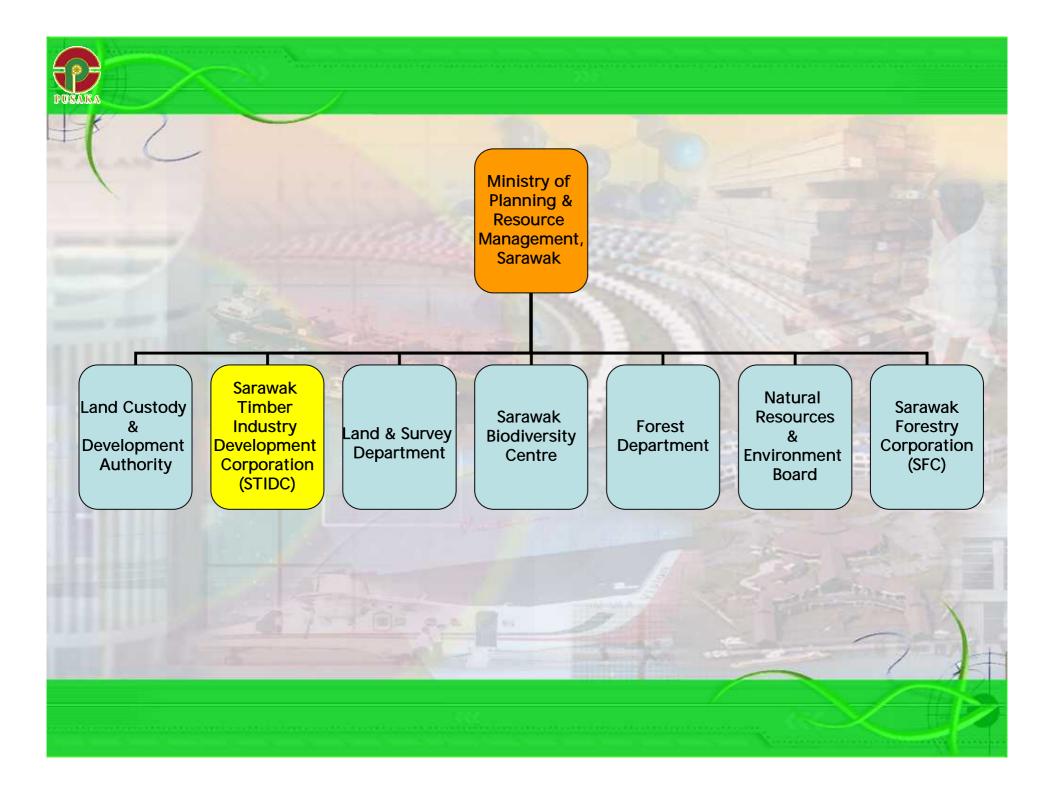




Sarawak Timber Industry Development Corporation (STIDC)

- Timber industry in Sarawak
- Chain of Custody
 - Illegal Timber





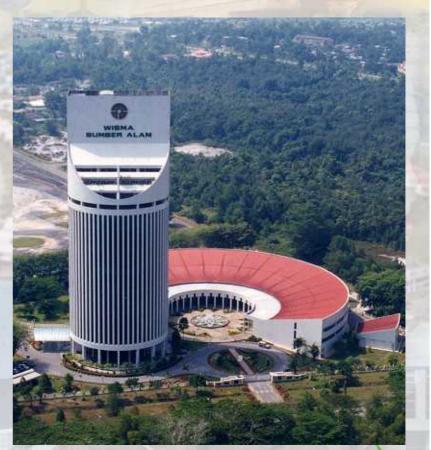


CORPORATE BACKGROUND

SARAWAK TIMBER INDUSTRY DEVELOPMENT CORPORATION (STIDC)

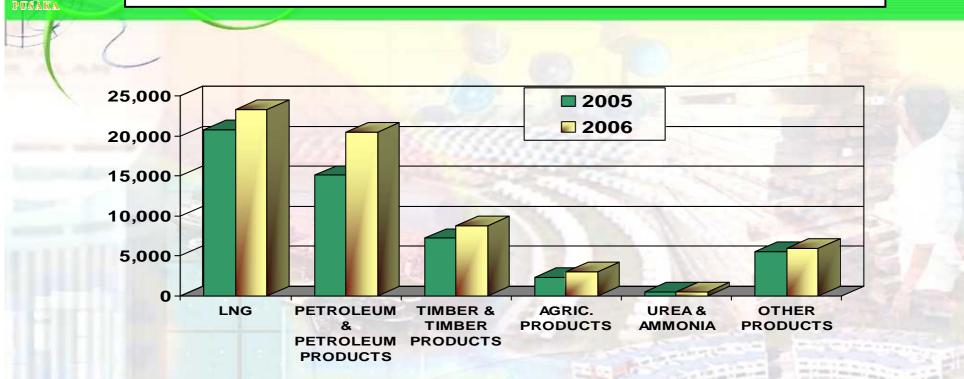
Established in June 1973 following the recommendation of the FAO, UN which conducted a comprehensive forest inventory in 1968-1972

STIDC is a State Government agency formed to stimulate by all possible means the planned expansion of woodbased industries in Sarawak at a rate consistent with the overall interest of the economy, the availability of capital and technical expertise and effective management of the forest resource

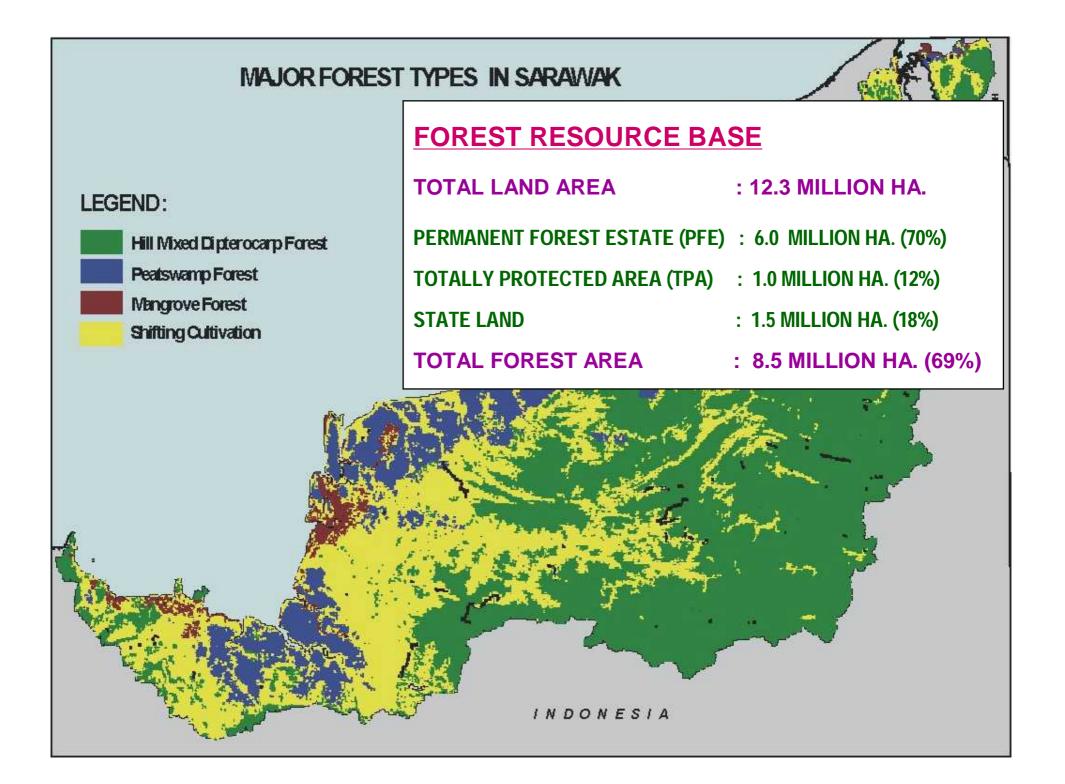


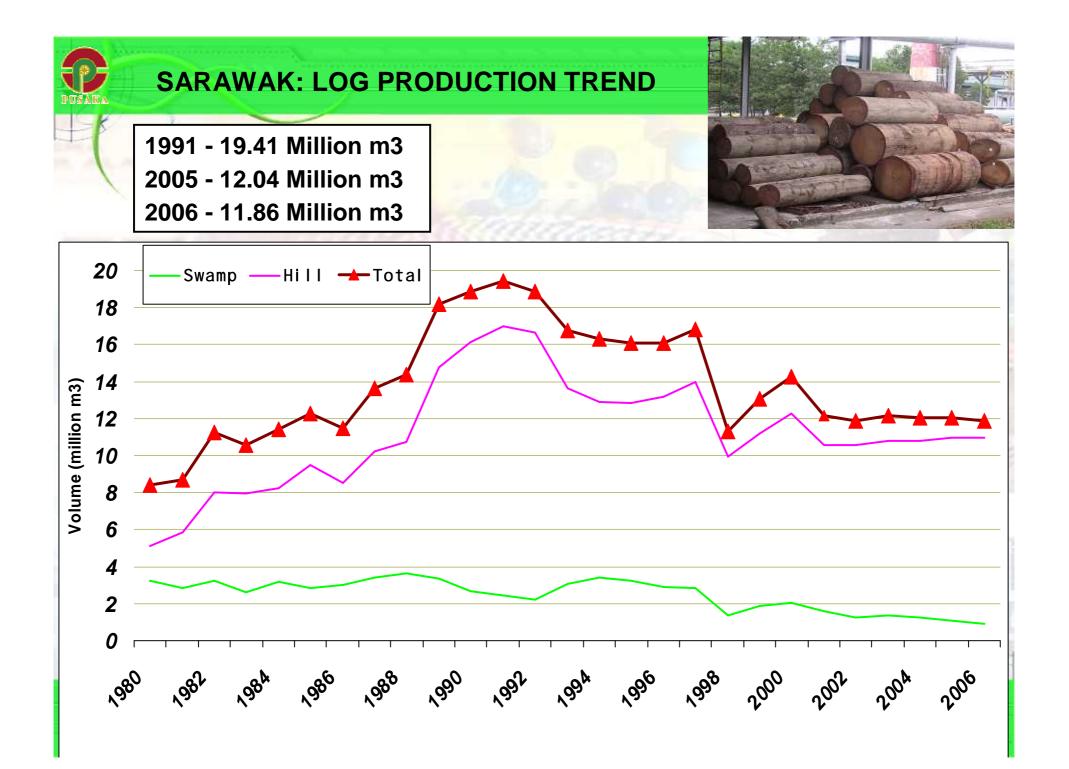


SARAWAK: MAJOR EXPORT COMMODITIES 2005 - 2006



YEAR	LNG (RM MILLION)	CRUDE PETROLEUM & PET. PRODUCTS (RM MILLION)	TIMBER & TIMBER PRODUCTS (RM MILLION)	AGRIC. PRODUCTS (RM MILLION)	UREA & AMMONIA (RM MILLION)	OTHER PRODUCTS (RM MILLION)	TOTAL (RM MILLION)
2005	20,790	15,094	7,234	2,301	497	5,547	51,464
	40%	29%	14%	4%	1%	10%	100%
2006	23,285	20,497	8,773	2,979	486	5,921	61,940
	38%	33%	14%	5%	1%	9%	100%







PUSA





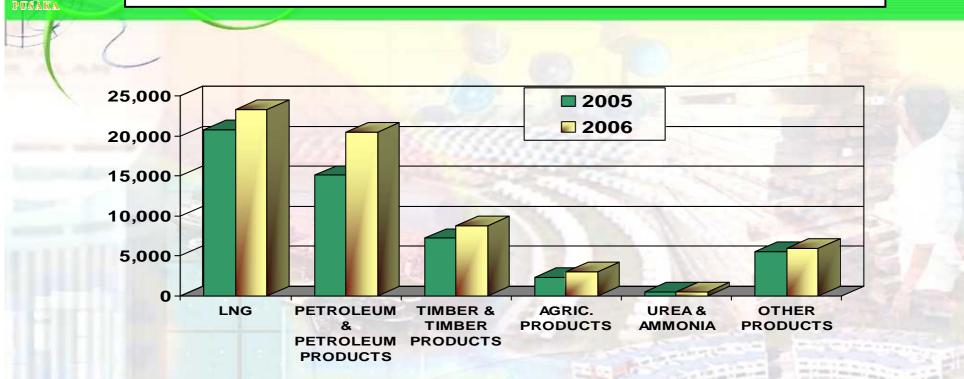
NUMBER OF WOOD-BASED INDUSTRY IN SARAWAK

MILL TYPE	2004	2005	2006
PLYWOOD	32	34	31
SAWMILL	217	213	193
VENEER	23	18	17
MDF/FIBREBOARD	3	3	3
LAMINATED BOARD	13	12	12
MOULDINGS/DOWELS	26	27	27
PARTICLE BOARD	1	1	1
WOODCHIPS	2	5	5
FURNITURE	365	389	397
CHARCOAL BRIQUETTE	5	7	7

SARAWAK: INSTALLED & UTILISED CAPACITY OF MILLS - 2006

	MILL TYPE	INSTALLED CAPACITY (MILLION M3/YEAR) *	UTILISED CAPACITY (MILLION M3/YEAR) (8 HRS/SHIFT PER DAY)	
HE I	SAWMILL	5.45	2.58	
	PLYWOOD	3.66	5.61	
	VENEER	0.78	0.57	
*	1 shift 8 hour/o	day		

SARAWAK: MAJOR EXPORT COMMODITIES 2005 - 2006

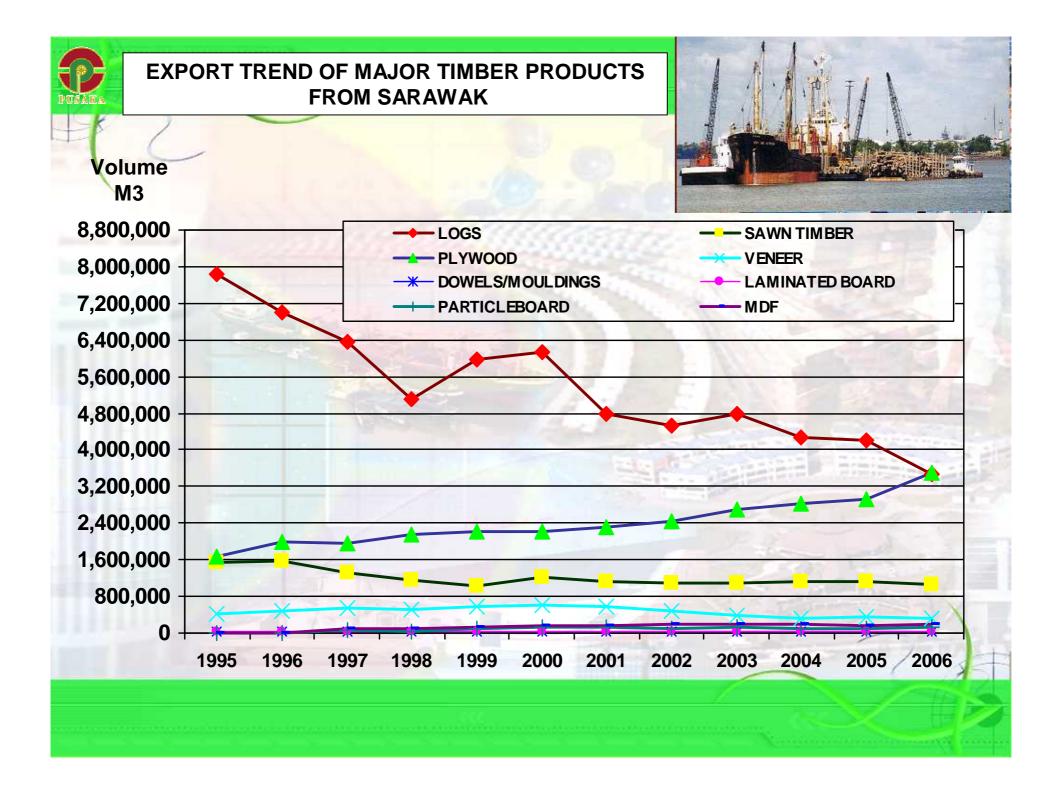


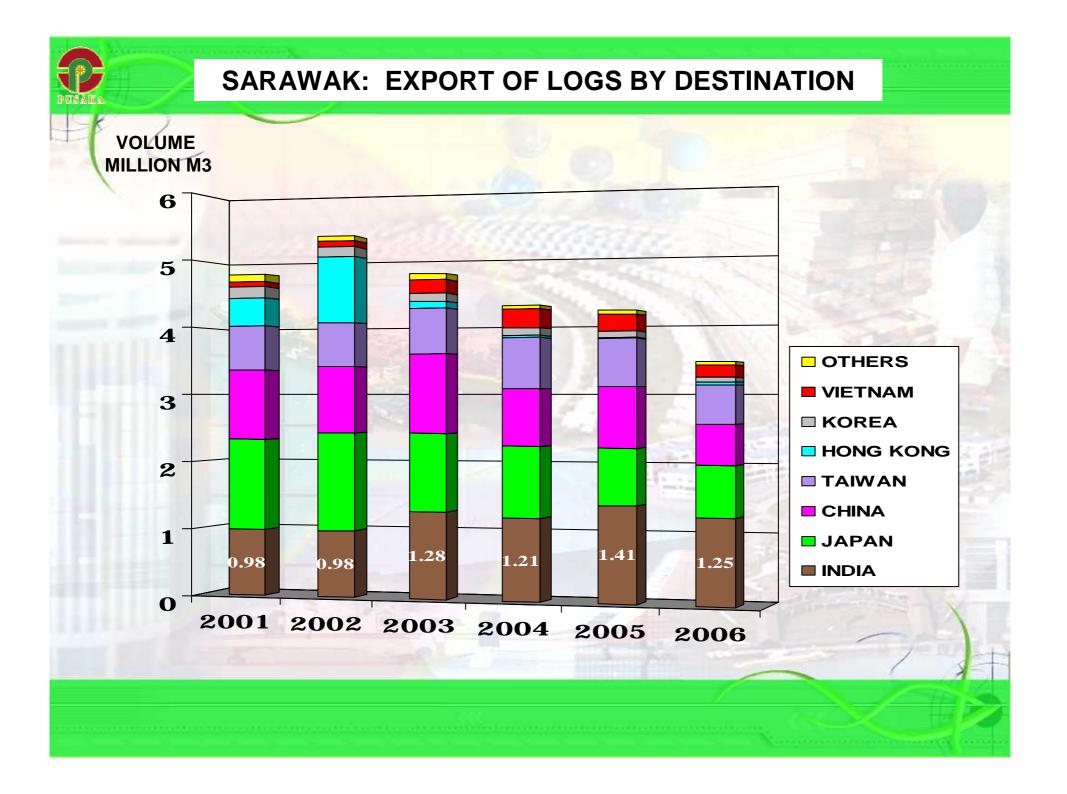
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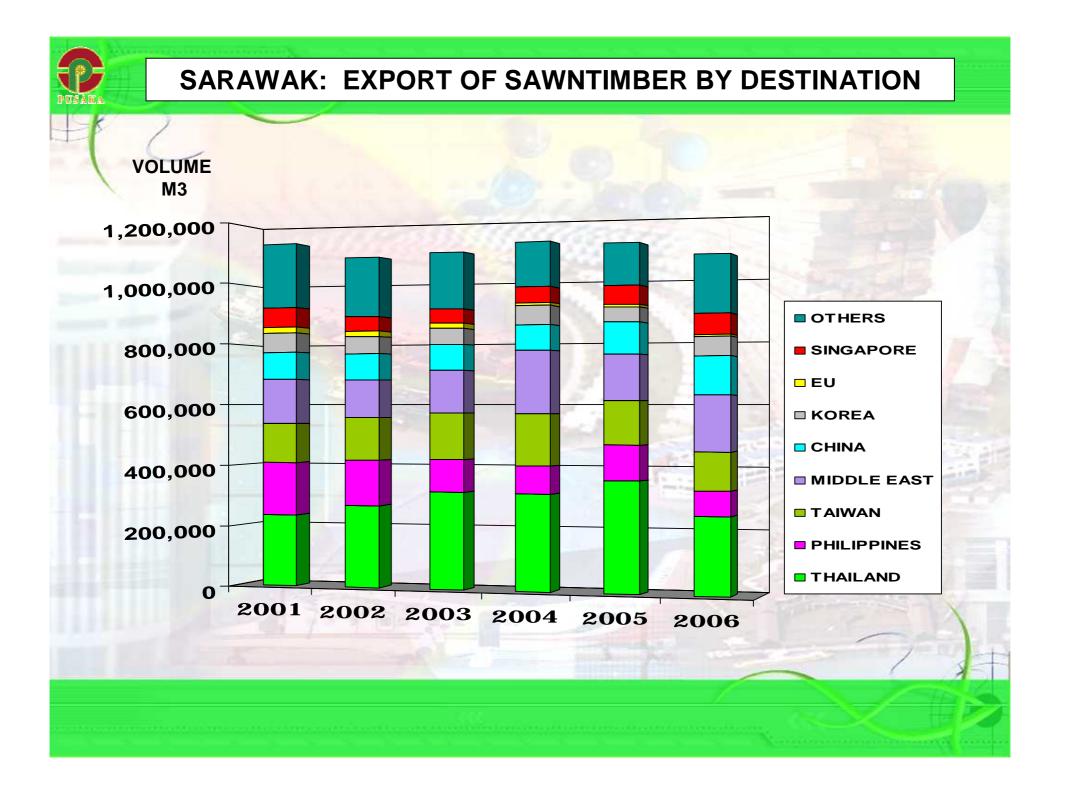
SARAWAK: EXPORT OF MAJOR TIMBER PRODUCTS

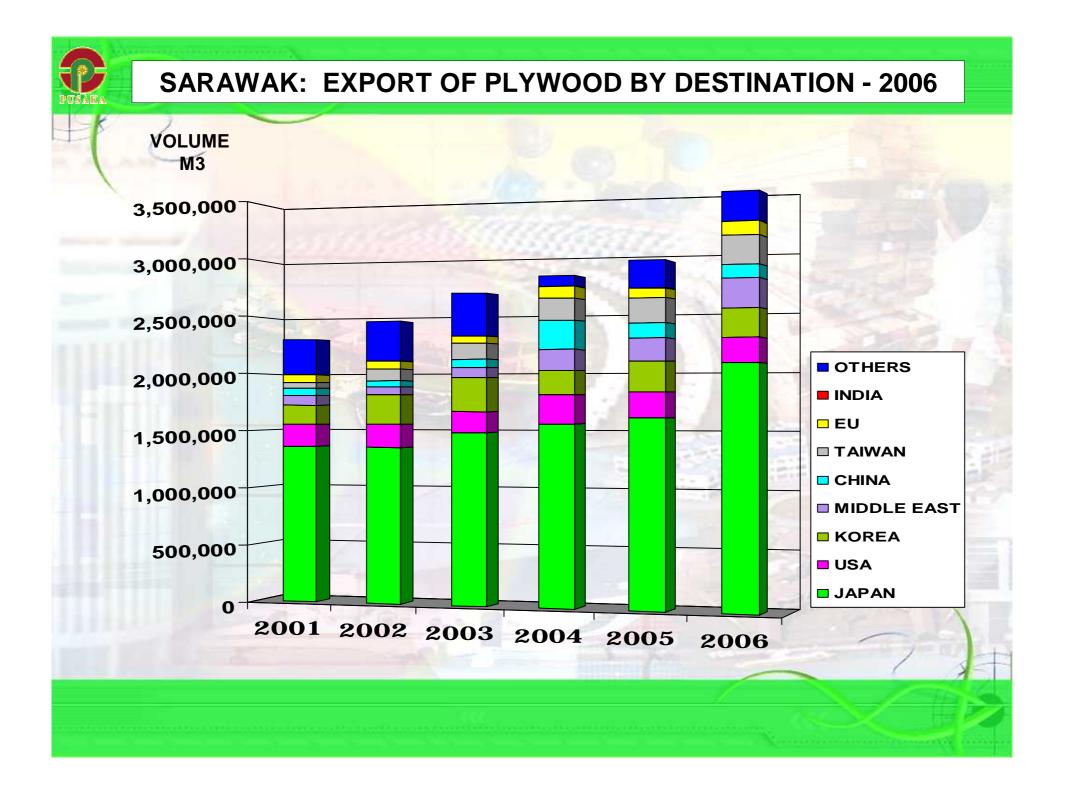
PUSA

PRODUCTS	2	2005	2	006
	М3	RM ('000)	М3	RM ('000)
PLYWOOD	2,933,151	3,601,594	3,488,665	5,173,410
LOGS	4,200,609	1,779,884	3,456,661	1,641,371
SAWN TIMBER	1,112,429	961,348	1,070,756	967,465
VENEER	360,263	321,155	322,454	339,572
MDF/FIBREBOARD	173,541	165,881	207,086	224,519
LAMINATED BOARD	22,253	52,355	19,136	75,136
MOULDINGS	26,319	58,330	29,326	65,070
DOWELS	7,256	16,825	6,150	14,698
PARTICLEBOARD	111, <mark>805</mark>	41,715	122,785	53,915
LAM.VENEER LUMBER	78,475	114,472	95,643	132,998
WOODCHIPS (TONNE)	292,603	31,582	193,800	25,351
OTHER PRODUCTS		89,312		59,150
TOTAL		7,234,453		8,772,655
% EARNINGS OF TIMBER PRODUCTS OVER SARAWAK EXTERNAL EARNINGS		14		14









POLICY: RESOURCES

Sustaining the momentum of growth by ensuring adequate long term raw material supply.

Production - 9.2 million m3 annually from Permanent Forest Estate as recommended by ITTO.

Log Quota Policy - 60% of log production for local processing mills & 40% export.



R. WAY FORWARD



FUTURE RAW MATERIAL SUPPLY FOREST PLANTATION

- Sarawak Government in collaboration with private sectors have embarked on large scale forest plantation. Establishment of forest plantation to ensure sustainable supply of timber in the long term.
- Target: About 1.0 million hectares of planted forests within the 15-20 years to produce 20 million m3 of fast growing timber species annually.
- Species planted include species such as Acacia Mangium, Albizia falcataria, Shorea macrophylla, Durio zibethinus and Hevea braziliensis.

CHAIN - OF - CUSTODY

Laws & regulations relating to timber industry

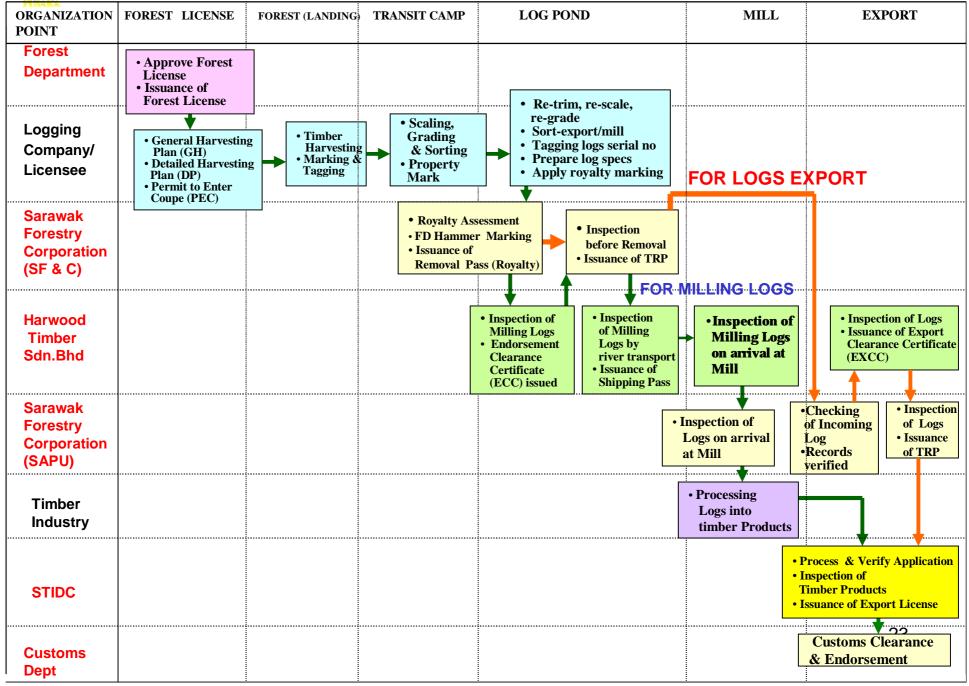


SARAWAK RELEVANT LAWS ON FOREST AND TIMBER INDUSTRY

11	ORGANIZATIONS	LAWS/ORDINANCES	
	FOREST DEPARTMENT, SARAWAK	 Forests Ordinances, 1954 (Cap.126) Wild Life Protection Ordinance (Cap. 26), 1998 National Parks and Nature Reserves Ordinance (Cap.27), 1998 The Ramin Logs (Prohibition of Export) Order, 1980 The Ramin Shorts and Ramin Squares (Prohibition of Export) Order, 1991 The Sepetir Timber (Export Restriction) Order, 1980 The Forest Rules 1962 	
1	SARAWAK FORESTRY CORPORATION (SFC)	Sarawak Forestry Corporation Ordinance, 1995	
	SARAWAK TIMBER INDUSTRY DEVELOPMENT CORPORATION (STIDC)	 The Sarawak Timber Industry Development Corporation Ordinance, 1973 The Sarawak Timber Industry (Registration) Regulations, 1999 The Timber Grading Regulations, 1975 (Amendment 1983) 	111
	CUSTOMS DEPARTMENT	 Customs Act 1967, Customs (Prohibition of Export) Order 1988 Customs Act 1967 Customs (Prohibition of Import) Order 2006 	
1	LAND AND SURVEY DEPARTMENT	• Land Code, 1958 (Cap.81)	1
	NATURAL RESOURCES AND ENVIRONMENTAL BOARD (NREB)	•The Natural Resources and Environment (Amendment) Ordinance, 1997	
	DEPARTMENT OF AGRICULTURAL (DOA)	Plant Quarantine Act 1976	

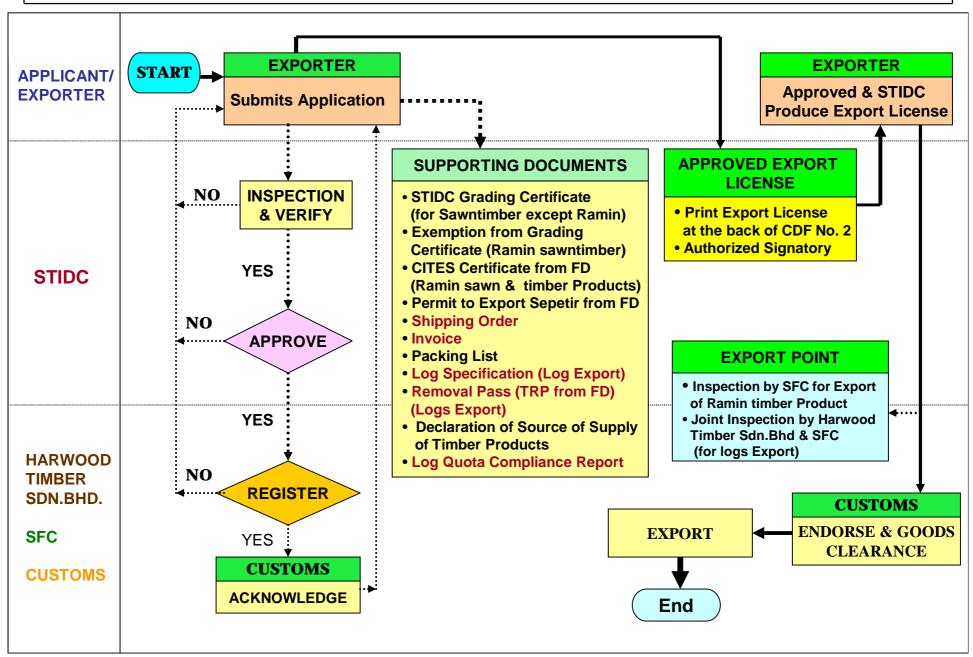


CHAIN OF CUSTODY (CoC) SARAWAK





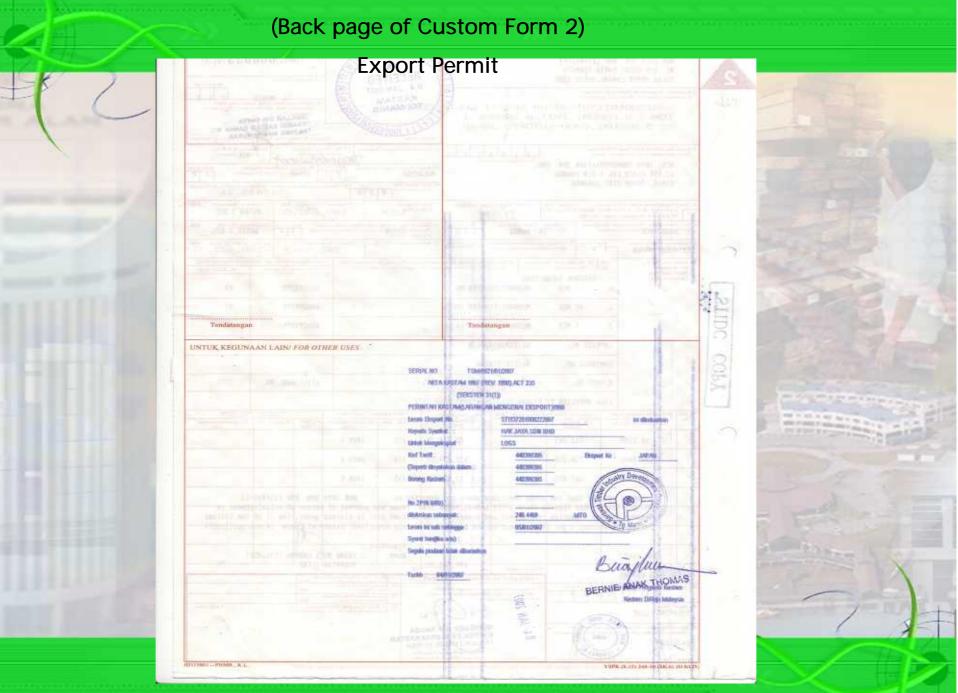
SARAWAK TIMBER INDUSTRY DEVELOPMENT CORPORATION Process Flow Chart for Export Permit



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Custom Form 2

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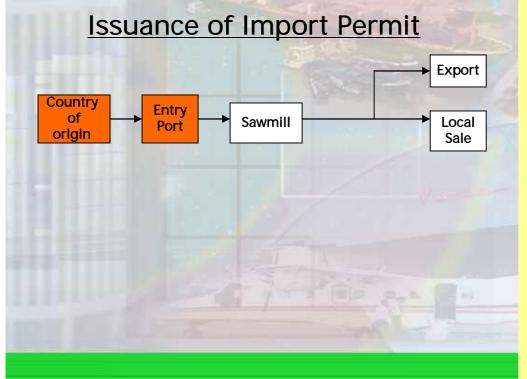
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POLICY . Ban on log import from Indonesia

- . Ban on import of sawn timber of size 60 sq.inches
 - and above from Indonesia
- . Log import from other countries approved on case

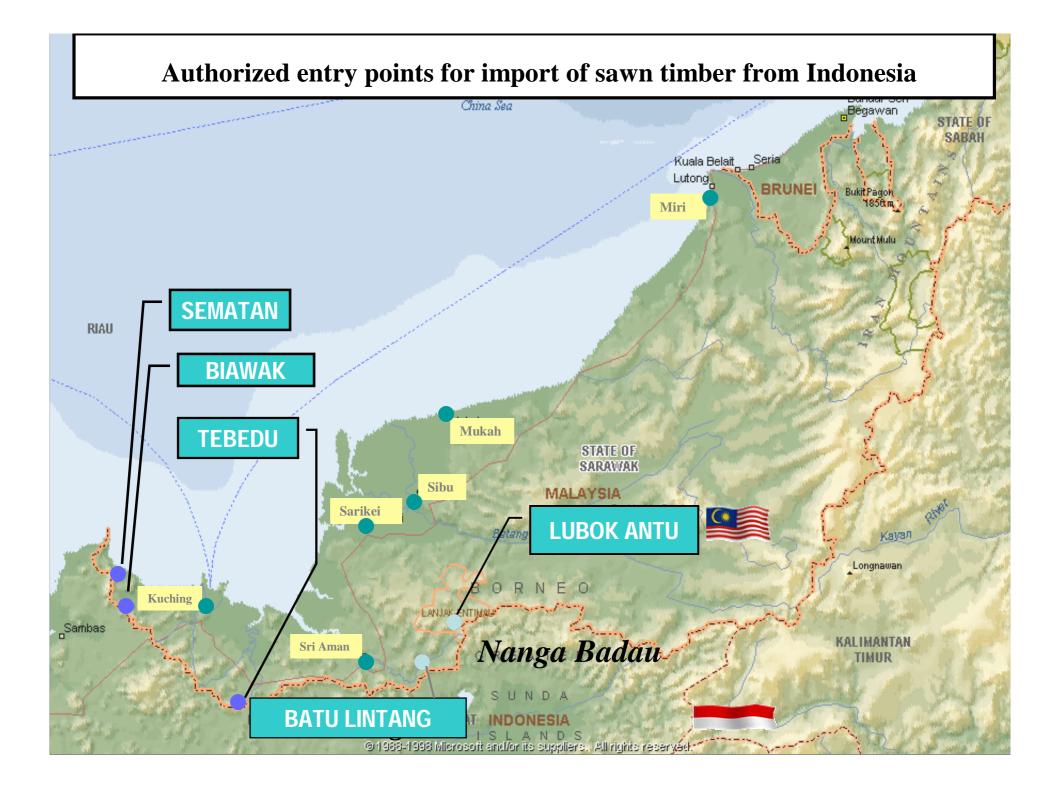
by case basis



- Approval of Import by Ministry of Planning & Resource Management
- Approval of Import Permit by STIDC
- Custom Declaration
- Inspection by STIDC, and Dept of Agriculture (Plant & Quarantine Division)
- Hammer Marking
- Tagging
- Removal Pass
- Inspection at mill







Procedure for import of sawn timber from Indonesia



DEVELOPMENTS

Review of Chain of Custody

Study conducted by : URS AUSTRALIA PTY. LTD. (consultant engaged by the state government of Sarawak)

Recommendations

To strengthen existing Chain of Custody System

Logs for export & processing (CoC from log pond and mill/ log export point)

- > One agency to maintain log and timber product database to reduce duplication and improve efficiency across agencies involved
- > Pre-harvest inventory with SFC auditing
- > 100% tree marketing or Tree / Log production No. to commence at forest landing
- > Log Production No. to be carried through the entire supply chain (including in batching for mill CoC)
- > Introduction of an Internal Audit Systems to facilitate 3rd party audit which would assist with credibility
- > Documented audits at logs ponds by Sarawak Forestry Corporation and Harwood Timber Sdn Bhd

Timber Processing (Introduce CoC into all mills)

- > Develop simple and robust CoC system based on those currently in use
- > Ensure Log Production No. is used throughout the process
- > Utilise the detailed electronic data kept by most mills to avoid duplication
- > Centralised database will enable all logs and timber products to have 'origin' identified if required
- **Export point ship**
- > More STIDC staff allocated where 'midstream' loading is involved
- >STIDC and SFC staff work in shifts on a 24-hour basis to better monitor ship movements and loading

Database for CoC & Reporting

- > STIDC and Harwood Timber map out each point in data collection, responsibilities and data format to identify how these can be linked and shared
- > Develop a single section within Harwood Timber devoted exclusively for management
- > Linking of enumeration data (from companies) to harvest date (collated by companies and Harwood Timber)
- > Linking STIDC Export Permit (ePermit) to Harwood log tracking systems (HENDIS)

> Linking or sharing data in STIDC ePermit with Customs or Port Authorities



Briefing on "Japan's Green Procurement Policy"

by Mr. Kazuyuki Morita, Director of Wood Products Trade, Ministry of Forestry & Fisheries, Japan

5th April 2007, STIDC Head Office, Kuching, Sarawak

Datu Haji Len Talif Salleh, General Manager of STIDC handing over publications to Mr. Kazuyuki Morita



ILLEGAL TIMBER



Illegal Logging

Illegal Logging is most referred to in the literature as when timber is harvested, transported, bought or sold in violation of national laws.

> Seneca Creek Associates & Wood Resources International, Illegal Logging and Global Wood Markets: The Competitive Impacts on the U.S Wood Products Industry November 2004

Issues of Illegal Timber

- Harvesting without authority in designated national parks or forest reserves
- Harvesting without authorization or excess of concession permit limits
- Failing to report harvesting activity to avoid royalty payments or taxes
 - Violating international trading rules or agreements, such as export bans or CITES

Seneca Creek Associates & Wood Resources International, Nov. 2004

ILLEGAL TIMBER IN SARAWAK CONTEXT

- Harvesting without valid licence
- Harvesting in National Parks or Forest Reserves
- Harvesting in excess of concession permit limits & outside boundary coupe
- Failing or avoid royalty payments
- Export & Import without permits
- Not registered with STIDC

A MARKET AND A CONTRACT OF A CONTRACT.

The Sarawak Timber Industry (Registration) Regulations, 1999

Regulation 3(1)

- Notwithstanding any other written laws, no person shall be engaged in or associated with:-
- a) The manufacture of timber; or
- b) The sale, distribution or marketing of timber.

Unless he is registered under these Regulations.

Forests Ordinance, 1954. The Taking of Forest Produce

Section 49(1)

- "The taking of forest produce in forests reserves and protected forests shall be controlled and regulated by the Director who may -
- a) Issue such licences or permits in such form and under such conditions as he may deem expedient
- b) Call for tenders for the right to take forest produce from a specified area
- c) Fix the fees, royalties, premia or other payments to be made in respect of such forest produce in any particular case
- d) Permit any other works that he may deem necessary for the taking of such forest produce or for the management of the forest"

ACTIONS TO COMBAT ILLEGAL LOGGING

lore stringent enforcement to curb illegal logging: Abdullah

LA LUMPUR: There will be e stringent enforcement of ing industry regulations with a totackling the problem of illegal ing, Prime Minister Datuk Seri ullah Ahmad Badawi said. e said the government would tolerate any illegal logging as it ted to put astop to such activity. "We'll not tolerate anyone involved in illegal logging. We'll show no mercy," he said after opening the Malaysian International Commodity Conference and Showcase here.

Abdullah was commenting on measures taken by the government to deal with illegal logging which also threatens the environment. He noted that in areas where logging was allowed, it should not be excessive as the emphasis should be on sustainable extraction of timber.

"You're not supposed to cut down big or small trees indiscriminately. You can't do that," he said. Abdullah said state governments should understand policies relating to forestry and logging formulated by the federal government.

"At the next meeting of menteris besar and chief ministers, I'll stress on the need for stricter enforcement of these laws," he added. When asked whether illegal logging activities had reached a critical level, Abdullah said: "(Whether) it's critical or not...that's not an issue."

According to him, reafforestation efforts would need to be conducted in areas where trees had been harvested. Through research, he said, trees that could grow at a faster rate could be developed. — Bernama

Taib: Be wary of people out to destroy State's forests

KUCHING: Chief Minister Pehin Sri Abdul Taib Mahmud yesterday cautioned environmentalists to be wary of 'activists', who could be manipulated by gangsters intent on destroying the State's forest.

"The environmentalists should now think very deeply to see that they do not lend themselves to support activists, who may in fact support or be used by gangsters to destroy our national parks and animal sanctuaries," he told reporters after a function here.

The Chief Minister disclosed that three illegal logging operations had recently been busted.

The activities, he said, were found near an animal sanctuary in Sematan.

However, he did not have the full details.

Taib, who brought to light the involvement of gangsters in illegal logging in Sarawak in March this year, said the police and the enforcement unit of the Sarawak Forestry Corporation were going all out to catch the illegal loggers.

To a question, he said it was true that illegal logging activities were mainly controlled by gangsters because only they could organise



TAIB: Illegal logging carried out by gangsters are damaging our forests.

"In the early (days), illegal logging was more or less individual undertaking.

"Not that serious. But now we regard illegal logging carried out by gangsters as very damaging to our forests," said Taib, who is also Planning and Resource Management Minister. Taib was particularly pleased with the commitment shown by the police.

He said: "I am very happy (with the police). They have done a good job. The last few months have been quite difficult for operations, a lot of heavy rain, and yet you can see their commitment. The police are not in anyway affected by it. Congratulations to them."

Among one of the recent illegal logging busts made by the police was last Wednesday's, when they arrested a 44-year-old man from Peninsular Malaysia who was believed to have been responsible for illegal logging operations near Gunung Santubong.

The suspect was arrested when he arrived at a coffeeshop in Buntal by a police team that was waiting for him.

It is learnt that the man previously lived in Sabah but had moved to Lundu recently.

Earlier on Tuesday night, police arrested a 45-year-old boat operator from Kampung Buntal who is believed to be responsible for transporting the illegal logs.

This brings the total number of those arrested

Seven lorries, 95 illegal logs seized

By Patrick Joseph

BINTULU: The police here have neized 95 logs, believed to be illegal, and seven lorries worth a total of RM1.5 million in an operation on Sunday night.

The setrure has been described as the biggest in the division so far this AUDE.

Royalty due on the timber was said to be in the region of RM9,000. Bintulu police chief

Superintendent Sulaiman Abdul Razak, in confirming the seizure yesterday, outlined how the police stumbled upon the timber.

At 7.15pm, a group of policemen led by State Public Order chief Supt

operation, they stopped seven lorries transporting logs.

Upon checking, the lorries, described as 'fori hantu', were found to be without registration plates and road my discs.

The drivers of the vehicles were unable to furnish the policemen with the relevant documents including documents permitting them to transport the logs.

After questioning, the policemen collected the identity cards and driving licences of all the seven drivers and a co-driver.

However, a sudden heavy downpour at that juncture forced the policemen to group the suspects Naimi Mustafa, who is also the State at a corner before they could issue the Tatau area when they were now looking for the driver of a

While they were mounting the drive vehicle came along and but other parts of the State," stopped near where the eight men were standing.

And all of a sudden, they boarded the vehicle and fled the scene. The police gave chase but failed.

"The suspects escaped, but they left behind their personal documents," Sulaiman said.

Naimi's ream then asked for reinforcement from Bintulu police and a team of 16 led by Sulaiman himself rushed to the scene.

Five enforcement officers from the Bintulu Forestry Department, also joined the policeman later, and their checks confirmed that all the logs were tagged 'duty not paid'. The lorries were on their way to

added.

Around 8.30am yesterday, all' right suspects, accompanied by th lawyers, surrendered at the cent police station here.

"They are now being detain and are expected to be produced the magistrates' court here tod for a remand order," the police ch said. The suspects are in their and 40s.

The 'lori hantu' including the lo according to Sulaiman, are kepta location in Komena where they guarded 24 hours.

"They will be there until (investigations are over," he said Meanwhile he said the police we

12 WEDNESDAY, JUNE 27, 2007

COURT ROUNDUP

Suspected log thieves further remanded

By Patrick Joseph

BINTULU: Eight suspects, who allegedly stole timber logs here, were yesterday remanded under police custody for three days, pending investigation.

Investigating officer, probationary inspector, Zakaria Kirinu applied to remand the suspects for eight days to help with police investigation.

He told the court that the eight, who were driving seven lorries loaded with timber logs, were stopped by a police party at Mile 30 of the Bintulu-Tatau road at 7.15pm last Sunday for checking.

The suspects however, left the scene in a 4WD before the police could summon them for traffic offences like overloading, failing to display the registration plate number and road tax.

RM9,000 on the seized timber logs had not been paid.

Zakaria said the eight were arrested by CID chief, ASP Azmi Aziz after they surrendered to the police at about 8.30am on Monday.

Meanwhile, counsel for the eight, Hii Chee Wong urged the court to allow a shorter period of remand as his clients had given their full cooperation to the police and all statements had also been recorded from them since their arrests.

Hii also clarified that his clients had no intention to flee from the scene as reported as there was no instruction from the police for them to remain at the scene.

"They later sought legal advice before telephoning to the police who told them to turn up at Central Police Station the following morning," Hii said.

He said his clients comprising

In allowing the application, the suspects were ordered to appear before the court on June 28 for further mentioning

Ho

Last Monday, Bintulu Police Chief, Superintendent Sulaiman Abdul Razak said the "lori hantu" and all the logs were now being detained at one location in Kemena under 24-hour guard while waiting for the completion of police investigation.

He also said the estimated cost of all the 95 logs was RM75,000 plus a royalty of RM9,000, and all the seven lorries cost about RM1.4 million.

The lorries were said to have been driven from Bintulu towards Tatau area when they were stopped.

The suspects were alleged to have boarded a vehicle during a heavy downpour without collecting all their summonses and personal documents.

ME NEWS

NEW SUNDAY TIMES JULY 1, 200

BLOW TO GANGLAND



Tan Sri Musa Hassan

Police stepped up their action against criminals, arresting two kingpins in Selangor and Sarawak. Johor is next, write DESMOND DAVIDSON and LEE SHI-IAN

KUCHING: Police struck another blow against organised crime in Sarawak when they arrested one of the biggest illegal loggers yesterday.

The suspect, in his 30s, was having a drink at a coffee shop in Bintulu around 11am when a special team from the state police headquarters arrested him.

Federal CID director Datuk Christopher Wan confirmed the arrest of the top gangster but declined to elaborate.

"The operation had been wellplanned and executed by the Special Action Unit from Bukit Aman," a source said.

Such was the suspect's notoriety that armed policemen were seen patrolling the compound, as well as the main gates.

About 3pm, the suspect was escorted under heavy guard onto a plane bound for Kuching.

According to sources, the suspect was involved in every illegal activity in the oil and gas town and was feared by many.

"Gambling, illegal gambling, money lending, prostitution he was involved in everything. But the main source of his ill-gotten gains is from illegal logging."

His thugs were feared by businessmen who paid protection money,

"The gangster was ruthless," the source said.

The arrest came less than 24 hours after Sarawak Chief Minister Tan Sri Abdul Taib Mahmud blamed gangsters for illegal logging in wildlife sanctuaries and areas along the Sarawak-Kalimantan border.

Last Monday, Inspector-General of Police Tan Sri Musa Hassan said a total of 146 kingpins and key gang members had been arrested under Ops Cantas Kenyalang.

Of the figure, 138 were charged for extortion, rioting and criminal intimidation. The operation was launched following allegations that gangsters were running wild in Sarawak.

Police had also identified 17 secret societies active in the state. Besides the arrests and prosecution, another eight suspects were held under preventive laws.

Suspected leader in illegal logging operation nabbed

6 A HO

KUCHING: The man believed to be responsible for the illegal logging operation near Gunung Santubong was arrested by police yesterday afternoon.

The 44-year-old from Peninsular Malaysia was arrested as he arrived at a coffeshop in Buntal by a police team that was waiting for him. It is learnt that the man previously lived in Sabah but had moved to Lundu recently.

Earlier on Tuesday night, police arrested a 45-yearold boat operator from Kampung Buntal who is believed to be responsible for transporting the illegal logs.

This brings the total number of those arrested in connection with the incident to six persons.

Police had earlier on detained four workers at the site. In a related development, Forest Department director Paul Ng yesterday refuted earlier reports that the site where the illegal logging took place was close to the Sarawak Cultural Village.

"The site where this thing took place is called Tanjung Binyu and it is near Buntal, not the Cultural Village," he said in a telephone interview with The Borneo Post.

He also disputed claims that a second shipment of logs was ready to be sent out.

"There was no second shipment of 21 logs," he said. "In fact, my men on the ground said that there were only seven to eight logs on the ground, but the rest were 'batak' or rough-sawn timber.

"Altogether, we seized a total of 23 pieces of 'batak' from the site," he added.

He did, however, stressed that what had happened

TO CONCLUDE

- Sarawak formulated and implemented a reliable legal framework and regulatory system to manage the forest and timber industry
- The implementing agencies and stakeholders alike uphold dutifully to the system implemented
- Administrative system is multi-agencies linked to ensure continuous auditing along the supply chain
- Implementing agencies certified core functions under ISO 9001:2000 quality management systems
- Third party audit and continuous improvement are important elements to adhere in ISO:9001:2000 system
- Sarawak government allow transparency by inviting and allowing external credible parties to evaluate the system implemented
- Consumers can procure without doubts that timber issued with export permit issued by STIDC is "legal"

