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ACHIEVING THE STATE'S ASPIRATION FOR THE TIMBER INDUSTRY IN SARAWAK

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Abstract:

In the state of Sarawak, the timber sector has grown from a small-scale local trade to become one of the most significant commodities in the world market. The 1980s saw the peak of log production and export, however, since 2015, export levels have been gradually falling. Through the Sarawak Forestry and Timber Industry Master Plan 2020–2030 and Sarawak's Post-COVID-19 Development Strategy (PCDS 2030), the Sarawak government then started a strategic action plan to transform the timber industry. This plan aims to achieve an annual export earning of RM8 billion for the timber industry by 2030, and recovery plans are put in place by this goal. The purpose of this study is to evaluate these recovery strategies' viability and efficacy to help the state meet its goal of producing yearly export revenue by 2030. For this study, a qualitative technique has been used and six informants were interviewed in an organized manner. The research clearly shows that Sarawak has developed strong recovery plans through laws and other measures consistent with global sustainability objectives; however, the industry has faced several difficulties in putting these plans into practice that have not been fully resolved.

Keywords:

Sarawak, Timber Industry, Post-COVID-19, Development

Introduction

The timber industry in Sarawak had its glory years in the 1980s when the log production was at its peak (Hon & Shibata 2013). Years into the 2000s, the export volume fluctuated between 10 to 16 million cubic metres, and then it descended in value. In 2012, the export value of timber and timber products at a total of RM7.4 billion and export volume of 7.4 million cubic

metres, the highest volume ever achieved in the 2000s though still lower than the volume produced in the previous decades. However, since 2015, the export earnings of timber have shown a worrisome decline. Based on the annual statistics of timber and timber products published by Sarawak Timber Industry Development Corporation (STIDC), it is shown that export earnings of timber and timber products were rising from 2009 to 2014, with its highest peak achieved in the year 2012, amounting to RM7.4 billion. From 2015 to 2019, the export earnings went down 30 per cent, with an export value of RM4.5 billion in 2019 (STIDC, 2019). The export value of timber and timber products increased slightly between 2020 and 2022 but remains lower than in 2019 and the preceding years. In 2023, the timber export value dropped to RM3.1 billion from RM3.9 billion in 2022 (STIDC, 2023).

The Sarawak Government, in its effort to restore and recover the timber economy, has introduced several initiatives and policies, which include the Sarawak Forestry and Timber Industry Master Plan 2020-2030 (Aubrey, 2022) and the Sarawak's Post-Covid 19 Development Strategy (PCDS 2030), two strategic blueprints which aim to transform the timber industry in Sarawak into a more vibrant and sustainable industry. Under the Sarawak Forestry and Timber Industry Master Plan 2020-2030 and PCDS 2030, the Sarawak timber industry is to achieve annual export earnings of RM8 billion by the year 2030 (EPU, 2021). In attaining the Sarawak Government's aspirations, various initiatives have been taken by the relevant agencies such as the STIDC.

The purpose of this paper is to analyse the Sarawak Government's recovery plans for the timber industry in Sarawak under the two strategic blueprints; PCDS 2030 and Sarawak Forestry and Timber Industry Masterplan 2020-2030, to find out more about whether the recovery plans by the Sarawak Government and its implementation can effectively and realistically achieve the aspirations of the State which is to generate an annual export earnings of RM8 billion by the year 2030.

Literature Review

The evolution of the timber industry in Sarawak is akin to the transformation of a diamond in the rough. The value of logs and timber products exported in 2012 was RM7.4 billion. Since the late 1960s, Malaysia and Indonesia have been the biggest producers and exporters of logs despite the increasing depletion of their forest resources (Tachibana, 2021). Its diversified markets include Japan, Korea, China, the Middle East, the Philippines, and Taiwan, the large portion of which vary depending on the types of timber products. The diverse markets and each of its export value demonstrates Sarawak's importance in the worldwide timber trade (STIDC, 2012).

Over the years, STIDC and the Sarawak Government have formulated policies to support the development of the downstream processing industry. Among the policies placed to regulate and facilitate the timber industries include the royalty incentive, log quota policy, and industrial forest plantation. In cooperation with other agencies and timber industry players, STIDC has played a significant role in putting these policies into action (STIDC, 2019).

On 22nd July 2021, the Premier of Sarawak, *Yang Amat Berhormat Datuk Patinggi Tan Sri* (Dr) Abang Haji Abdul Rahman Zohari Bin Tun Datuk Abang Haji Openg launched the Sarawak Post Covid-19 Development Strategy 2030, a strategic blueprint that sets out the course of actions that need to be taken in 10 years for Sarawak to thrive as a developed state by the year 2030. The key goal of the PCDS 2030 is to drive the state's economy from RM136

billion in 2019 to RM282 billion in 2030. The timber industry is to generate an annual export earning of RM8 billion by the year 2030. It is an all-encompassing blueprint that highlights the goals expected from all sectors across the State. In tandem with the State's aspiration under PCDS 2030, the Sarawak Government through the Ministry of Natural Resources and Urban Development of Sarawak (MUDeNR) and STIDC developed the Forestry and Timber Industry Master Plan 2020-2030 (STIDC, 2022) which allows the industry to embark on a transformative and reformative journey that augurs well with the two strategic blueprints, i.e. PCDS 2030 and the Forestry and Timber Industry Master Plan.

STIDC has launched several initiatives to transform the timber industry, including natural forests, planted forests, high-value-added timber products, new industries like bamboo and furniture, improving manufacturing capacity, and human capital development. The goal of these initiatives is to promote the timber industry through innovation, cutting-edge technology, automation, digitalisation, and support of the industry players. Institutional and legislative frameworks are reinforced and updated in the wake of these measures to guarantee appropriate governance amongst agencies and a distinct division of tasks and responsibilities. Subsequent amendments were made to laws about the forestry and wood sectors, including the STIDC Ordinance 1973 and the Forest Ordinance 2015. Sarawak's timber industry is undergoing a revolution, and the state is about to establish new policies and programs to support this process. The government's agencies have carried out the initiatives listed below (refer to Table 1), together with those that are still in progress.

Table 1: Status of the Initiatives and Policies Implemented for the Timber Industry in Sarawak

Initiative	Objective	Status/Progress
Sarawak Land Use Policy.		Currently in force.
Revision of the Sarawak Forest Policy.		Implemented in 2019.
Policy Direction on Industrial Forest in Sarawak.	To ensure the sustainable supply of logs from planted forests to be used for downstream processing and export.	
Sarawak Bamboo Industry Policy/ Sarawak Bamboo Industry Masterplan.	Emphasizes resource management, market development, technology adoption and commercialization, research and development, sustainable environment, capacity building, corporate social responsibility as well as the strengthening of policy and institution (STIDC, 2022).	Currently underway.
Utilization of Engineered Wood in Building Construction.	Policy to promote and encourage the utilization of engineered wood in building construction.	Currently underway.
Policy Statement for Forestry and Timber Industry in Sarawak.		Unknown.

Revision of Forest Ordinance 2015.	The amendment to the Forest Ordinance 2015 in 2022 is hoped to change the dynamics of the forestry and timber industry in Sarawak by enabling the state to monetize its resources in a non-destructive manner (STIDC, 2022).	Enforced and implemented in 2022
Revision to STIDC Ordinance 1973.	It is seen as a definite indication of the Sarawak Government's commitment to bolstering the legal framework as the foundation for managing the state's timber industry more effectively, enhancing enforcement powers, and transforming the sector from a conventional setting to a value-added, export-oriented sector (Dewan Undangan Negeri, 2022).	Passed on 23rd November 2022, enforced on 1st June 2023.
Policy to allow establishment of mills in Licensed Planted Forests (LPF) Areas.	To resolve issues relating to increased production costs and uncompetitive pricing due to issues such as levy payment, logistics, transportation and others.	Currently underway.
Blueprint for Development of Furniture Industry.	Part of STIDC's initiative to ensure sustainable timber production is to embark on furniture making.	Currently underway.

Source: STIDC Strategic Plan, 2021-2024.

Methodology

Data collection for this study has been carried out using qualitative methods. Campbell, Greenwood, Prior, Shearer, Walkem, Young & Walker (2020) addressed that qualitative studies typically use a small, purposefully selected sample to gain a deeper insight. It selects the informants based on their likelihood of providing relevant and meaningful information. The qualitative approach involved collecting data through in-depth structured interviews involving six informants from related organizations (refer to Table 2), which were then processed using the content analysis and thematic method. This study also adopts the criterion of purposive sampling.

Table 2: Informant's/Respondent's Profile

Informants/Respondents	Designation	Working experience (in years)
R1	Advisor to STIDC	37 years
R2	Asst. GM, Licensing, Industrial Planning and Investment	31 years
R3	Asst. GM. Legal Affairs and Secretarial Services	20 years
R4	CEO of STA	35 years
R5	GM, SPF Sdn. Bhd.	9 years
R6	GM, HT Sdn. Bhd	36 years

Source: Fieldwork (2024).

The interview questions were set based on the research objective and literature review. These are a few examples of the instrument for interview purposes.

- i. Can you provide an overview of the current state of the timber industry in Sarawak? What are the major trends and challenges faced by the industry?
- ii. Looking at the challenges facing the timber industry in Sarawak, based on your experience, knowledge and observation, what could be the potential implications to the industry and the broader economy of Sarawak if these challenges are not addressed?
- iii. Under the PCDS 2030, the timber industry in Sarawak is expected to achieve RM8 billions of annual export earnings by the year 2030. Can you share what are the plans and initiatives that are currently underway to achieve the aspiration, and what are your roles in achieving this aspiration?
- iv. In your opinion, how effective are these recovery plans and initiatives in mitigating the challenges affecting the timber industry?

Thematic analysis and content analysis were used to analyse the data. According to Barker and Galanski (2001), content analysis gives researchers quantitative information about the presence or absence of specific keywords within a given data set, allowing them to identify key themes or aspects within the data themselves and then compare the data, and texts. In contrast, a researcher using a theme analysis will be able to methodically arrange and examine a lot of material. Thematic analysis, as defined by Dawadi (2020), involves discovering themes by attentively reviewing and re-considering the transcribed material to explore themes that can encompass the narrative found within the account of the data sets.

Results and Discussion

The findings are examined in the context of the study's objective, which is to evaluate the recovery plans' viability and efficiency in helping the state meet its goal of producing annual export revenue by 2030. The focal areas include the Forestry and Timber Industry Master Plan 2020–2030 and the post-COVID-19 Development Strategy (PCDS), which set the target for the Sarawak timber industry to attain an annual export earning of RM8 billion by 2030. The success of the ongoing projects and an analysis of the challenges faced in implementing the goals are two further areas of emphasis.

Current Recovery Plans for The Timber Industry in Sarawak

The first part of the findings intended to identify the current recovery plans set out by the government through its agencies that aim towards achieving RM8 billion in annual export earnings by 2030, is revisited. The response received has been categorised based on the themes, which are tabulated as follows: -

Table 3: Findings on Current Recovery Plans for the Timber Industry in Sarawak

Theme	Findings	Informant
Policy Development	The informants emphasize the importance of developing new policies to enhance the productivity and cost-efficiency of the timber industry in Sarawak. Key initiatives include introducing a policy on mill in the planted forests, a policy to allow the import of materials for value-added processing, policy on bamboo and engineered wood products.	R1, R2, R3
The transition from natural forests to planted forests	The findings highlight the need to shift Sarawak's timber industry from reliance on natural forests to the development of planted or industrial forests, with the aim to make natural forests to be solely for conservation and planted forest for commercialization. They emphasize the need to rely exclusively on planted forests for raw materials, in order to enhance sustainability.	R1, R2, R3
Introduction of new resources	The informants stress the necessity of introducing new resources in Sarawak's timber industry to align with global sustainability goals and the green economy. They highlight the promotion of bamboo and engineered wood as alternatives that not only address environmental concerns but also enhance export earnings through value-added products like furniture. The shift from volume to value gains is emphasized, with a focus on carbon trading opportunities and the development of renewable energy sources such as wood pellets and biofuels derived from fast-growing species.	R1, R2, R3, R4, R6
Research & Development (R&D)	The informants emphasize the critical role of R&D in achieving Sarawak's goal of RM8 billion in annual export earnings for the timber industry by 2030. They recognize a past lack of focus on R&D and advocate for collaborative efforts involving universities, scientists, and industry stakeholders to drive relevant research initiatives. This collaboration should include not only academic expertise but also student involvement to build local capacity.	R1, R5, R6

Source: Fieldwork (2024).

Feasibility and Effectiveness of the Recovery Plans for the Timber Industry in Sarawak

This part has analysed the feasibility and effectiveness of the current recovery plans of the State in achieving the state's aspirations for the timber industry to achieve RM8 billion in annual export earnings by the year 2030, which is revisited through the findings. From the interview, it is gathered that the effectiveness and feasibility of the recovery plans in achieving the state's aspiration of generating an annual export earning of RM 8 billion by the year 2030 would very much depend on several factors, including, proactive commitment to follow through, adapting and readiness for change, collaborative efforts and engagement among the stakeholders and the beneficiaries, project viability, capital requirement or incentives, and supportive policy intervention from the government.

Table 4: Findings on Feasibility and Effectiveness of The Recovery Plans for the Timber Industry in Sarawak.

Theme	Findings	Informant
Proactive Commitment Towards Implementation	This finding stresses the importance of proactive commitment to effectively implement recovery plans, such as the PCDS 2030 and STIDC's business turnaround plan. The informants emphasize that merely having these documents is insufficient; active follow-through and engagement with various stakeholders, including government agencies, industry players, and the community, are crucial for success. The optimism surrounding these initiatives is rooted in the structured nature of the plans, with all action plans registered in the blueprint and monitored from time to time.	R1, R3
Adapting or Readiness to Change	This finding highlights the necessity for the timber industry to be adaptable and ready for change in response to current and future global market trends. This adaptability involves exploring alternative uses for materials and prioritizing fast-growing species, such as <i>acacia</i> and <i>eucalyptus</i> , over slower-growing ones like <i>meranti</i> , for economic efficiency. However, challenges remain in ensuring that the timber industry is prepared and willing to implement the established policies, as STIDC can only provide guidance while the industry itself must take action.	R1, R2, R3

Collaborative Efforts or Engagement	<p>From these findings, informants generally emphasize the need for active engagement among government agencies, industry players, and the community to foster effective partnerships. However, some informants such as R4 expressed dissatisfaction with the current recovery plans, claiming that these initiatives have not adequately supported established businesses, such as plywood mills and industrial plantations. R4 raised concerns about a perceived lack of engagement from forestry agencies and the slow implementation of recovery plans, which may jeopardize existing industries. Additionally, while there is a recognition of the RM8 billion export target by 2030, R5 and R6 cautioned that achieving this goal will require realistic expectations and a commitment from the industry to adapt and re-tool in response to policy changes. However, many industry players remain sceptical about the potential outcomes of such efforts, which could hinder their willingness to invest in the transformation.</p>	R1, R4, R5, R6
Project Viability	<p>The viability of recovery plans for the timber industry is viewed as a long-term process requiring patience due to the gestation periods associated with planting new trees and bamboo, which can range from 2 to 15 years depending on the species. R2 highlights the need for time to observe results from these initiatives. Whereas R4 points out that much of the planted area is dedicated to pulpwood, which is not suitable for timber production, indicating that less than 20% of materials are utilized by manufacturers. Similarly, R5 notes that the current planted forests primarily consist of pulpwood grade trees, which stemmed from past plantation objectives that did not materialize, which is establishment of a pulp mill. R5 also emphasizes the importance of improving planting materials and silvicultural practices to enhance yields.</p>	R2, R4, R5

Policy or Government Support	Concerns regarding government policies and support for the timber industry were highlighted in this finding. R4 pointed out that inconsistent policies, such as mismatches between log reservation quotas and foreign worker regulations, hinder the industry's adaptability and have contributed to a decline in timber exports. R6 emphasized the necessity for collaborative efforts between state agencies and the industry to create effective policies that address the industry's challenges while aiming for the RM8 billion export target by 2030. Financial support was identified as essential for the success of recovery plans, with R2 noting the capital-intensive nature of resource development in plantations. R5 compared this situation to countries like China and Vietnam, which benefit from substantial government investment in R&D. Additionally, R4 called for increased government support for emerging industries like engineered wood and automation, emphasizing the need for financial incentives and a favourable immigration policy to attract technical experts necessary for industry transformation.	R2, R4, R5, R6
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Source: Fieldwork (2024).

All the projects have been outlined and registered under the two strategic blueprints, the Sarawak Forestry and Timber Industry Masterplan 2020–2030 and the PCDS 2030, from the standpoint of the agencies and policymakers. Whether the industry is willing to be the game changer and strives towards it will determine the efficacy and viability. From the industry's point of view, putting the government's initiatives into action could present many difficulties, including high investment risk, cost considerations, and yield certainty, all of which will influence whether an initiative or project is successful and viable (Nurul Hidayah, 2024).

Conclusion

The findings demonstrate that the government has effectively put policies intended to diversify the industry and increase sustainability into place. The recovery plans and strategic initiatives are made to meet market demands and global objectives. The degree to which these methods may inadvertently exacerbate the difficulties facing the sector now must be carefully considered. People's comments—especially those from the industry—should be carefully considered because these informants are digging into really basic issues. Dealing with any issues that may impede the strategic plans' implementation is equally as crucial as creating action plans and seeing them through to completion.

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