

Rainforest graft a major focal point in GE13

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The island of Borneo may be all that stands between Prime Minister Najib Abdul Razak and an unprecedented election defeat within weeks for his ruling coalition.

Borneo's two Malaysian states - Sabah and Sarawak - have been a bastion of votes for the National Front coalition headed by Najib's party, the United Malays National Organisation (Umno).

The two states, among Malaysia's poorest despite vast natural resources, kept the National Front in power in 2008 even as a groundswell of support for the opposition deprived the government of its iron-clad two-thirds parliamentary majority.

That could start to change. Allegations of corruption in recent months have dogged the chief ministers of both Sabah and Sarawak, long-time rulers who hold vast sway over some of the world's largest tracts of tropical forests.

The National Front is favoured to win the election expected on April 27 after Najib dissolved parliament on Wednesday. But it could be the closest his ruling coalition has faced in its 56-year rule.

Corruption scandals threaten to undermine one of Najib's central messages - that he is making Southeast Asia's third-largest economy more transparent and competitive.

Sabah Chief Minister Musa Aman (left), who is also the state's top Umno official, has been under scrutiny the past year after whistleblower website Sarawak Report published documents from

the Hong Kong and Malaysian anti-corruption agencies.

The two agencies started investigating Musa in late 2008. The probe was based on a tip-off that the chief minister was extracting money from businessmen seeking timber concessions and unneeding it to UBS bank accounts in Hong Kong and Singapore, sources close to the investigations said. They declined to say who gave the tip-off.

The Hong Kong anti-graft agency froze a UBS account managed by a lawyer on behalf of Musa, the sources said, and began a joint investigation with its Malaysian counterpart.

The agencies closed the case three years later and unfroze the funds after the Malaysian government publicly said the money was donations for Umno, not bribes.

The Malaysian government has not explained why political donations had to be routed through Hong Kong and Singapore.

Musa told Reuters in a statement that he has been cleared by both anti-graft agencies. However, an independent panel overseeing the Malaysian graft agency has recently

requested the case be reviewed.

"These are the same old stories, rehashed over and over again," Musa said. "It is just the usual silly season before the general election, when the opposition gets up to their usual monkey business."

The opposition, which argues the fruit of Malaysia's brisk economic growth is largely concentrated in the hands of a well-connected elite, has vowed to keep pouring it on.

"How Musa manages Sabah in favour of the government rather than the people will certainly be a prominent part of election rallies on the opposition side," said Lim Kit Siang, a leader in the opposition coalition headed by former deputy prime minister Anwar Ibrahim.

Hong Kong timber accounts

The Hong Kong anti-graft agency told Reuters it investigated a number of Malaysian nationals, including a government official, for breaching the prevention of bribery ordinance in connection with the UBS accounts. It neither confirmed nor denied that Musa was the focus of the investigation.

Malaysia's anti-corruption agency said it provided assistance to its Hong Kong counterparts but declined to give details. Malaysian anti-corruption officials, speaking on condition of anonymity, told Reuters the leaked documents obtained by Sarawak Report were genuine and Musa was, indeed, the focus of the investigation.

Sarawak Report said the Hong Kong and Malaysian anti-graft agency documents it acquired showed that US\$90 million in illegal logging proceeds from Sabah were channelled to the UBS accounts. That prompted Swiss prosecutors to open a criminal money laundering probe into UBS last August.

The investigations into UBS and its relationship with Musa are continuing, a spokesperson for the office of the attorney-general of Switzerland said. UBS said it was fully cooperating with the authorities but declined to give more details.

As chief minister, Musa is in charge of the Sabah Foundation, which manages a state forest reserve covering 3,861 square miles, nearly half the size of New Jersey.

The foundation allows timber companies to annually log a tiny fraction of that area. The logging proceeds are supposed to fund education and welfare projects in the state.

As chief minister, Musa signs off on all the logging permits that its board of directors agree to award to timber firms, or at least in one case, to a family member.

One of the Malaysian anti-corruption agency documents listed companies that won permits from the foundation.

It shows the foundation awarded 2,000 hectares of primary forest to Musa's younger brother, Foreign Minister Anifah Aman (right), at a special board of directors' meeting on

May 7, 2004.

The same Malaysian anti-graft document shows Musa consistently signed off on concessions that exceeded, or even doubled, the allowable timber cut. While not illegal, it shows the state was exceeding its own guidelines on deforestation.

Some of the companies on that list made payments into a UBS corporate account belonging to a former Musa associate, bank statements on the account obtained by Reuters shows.

From the same account, withdrawals were made by the associate to fund Musa's sons who were studying in Australia, the statements show.

Two timber firms in Sabah transferred two payments totalling \$4.04 million on August 16, 2006 into the corporate UBS account belonging to the former Musa associate. Six days later on Aug 22, the exact same amount was transferred into a personal UBS account belonging to Musa's lawyer.

The Hong Kong anti-graft agency described that account as "held in trust" for Musa, according to the bank statements and investigation documents.

That same day, the firms won a 32,000 hectare (124 sq miles) timber concession and a contract to maintain a road to a logging camp, according to the Malaysian anti-graft agency document.

The owners of those two timber firms confirmed to Reuters that the \$4.04 million transactions were "donations" to Musa and Umno to secure the contracts. They requested their names and the names of their firms not be identified.

Malaysia's government has said all the funds in that UBS account were ultimately sent to Umno as political donations. Other firms on the list of companies that received timber concessions could not be reached or declined to comment.

Less logging revenues

While there is no published data on how much forest has been cleared within the Sabah Foundation forest reserve, official data shows significant deforestation throughout the state. total forest cover stood at 17,000 square miles, about half the size of Ireland. By 2011, it had shrunk to 13,900 square miles, based on the latest available data from the Forestry Department.

Primary or virgin forests have been particularly hard-hit, declining from 1,595 square miles in 1992 to just 348 square miles in 2011.

With diminishing forests left to cut, logging revenues fell by half over five years to less than 250 million ringgit in 2011 (\$80.6 million).

Musa has made a push for Sabah to diversify into agriculture and oil and gas, which helped state budget revenues hit a record 4.1 billion ringgit last year. But the state's unemployment rate remains at 5.4 percent, the highest of any state in Malaysia, where the national average is 3.0 percent.

Musa's popularity ratings have declined as well, to 45 percent in 2012 from 60 percent in 2009, according to a survey by the Merdeka Centre, Malaysia's most respected pollster. Law Minister Mohamad Nazri Aziz (right) told parliament last October the funds in the UBS bank account held on behalf of Musa were political donations, without giving details about the source of the money or explaining why such funds had to be routed through foreign countries.

Based on evidence submitted by the Malaysian anti-graft agency, Malaysia's attorney-general found no indication of corruption or linkages with the Swiss government's investigation into UBS, Nazri said.

But an independent panel overseeing the Malaysian anti-graft agency has since written to the attorney-general requesting a review of his decision to close the case on Musa, a high ranking anti-graft official said at a public forum held by the Bar Council.

The official did not disclose why the review was requested and declined to respond to Reuters requests for comment. The attorney general did not respond to requests for comment.

As Umno's party leader in Sabah, Musa is expected to find ways of raising money for the party - and to get out the vote.

"For Umno, Musa is almost indispensable in Sabah. You lose him, you may lose your whole regime," said Oh Ei Sun, senior visiting fellow with Singapore's Nanyang Technological University and a former political secretary to Najib.

Najib at risk

The opposition, campaigning on an anti-corruption platform, is banking on winning 20 seats in Sabah and Sarawak in the election, which could put it within sight of a 112-seat simple majority in parliament.

Sarawak has also been under the spotlight over allegations of timber corruption. The Malaysian anti-corruption agency said it has been investigating Sarawak Chief Minister Abdul Taib Mahmud (left) since 2011 in response to environmental activists' complaints about corruption in the forestry industry.

That investigation continues and any new evidence will be taken into account, the agency spokesman said.

He was referring to environmental activist group Global Witness, which posted a video in

March that went viral. It showed Taib's cousins and associates apparently offering thousands of hectares of forest land to the group's undercover investigators and formulating plans to book the land sales in Singapore to avoid Malaysian taxes.

Taib publicly denied the allegations raised as a result of the video. "I saw the so-called proof. It has nothing to do with me," he told local media.

"Everything has to be done with government procedure."

In an interview with Reuters last Tuesday, Najib declined to discuss details of the investigations into the Sabah and Sarawak chief ministers, and said he was against corruption in "any form."

Asked about the Global Witness video, Najib said: "It's ok, everything will be investigated, and due process will take its course."

- Reuters

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