Timber kickbacks - it all began in Sabah
Malaysiakini.com
April 10, 2007
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The scheme to milk illicit funds from the lucrative timber trade in East Malaysia had its roots in Sabah, according to sources in the shipping industry.

The practice of shipping companies paying commissions to officials began in Sabah in the mid-70s when Harris Salleh was the chief minister.

A business body called Dewaniaga Sabah was set up supposedly as a joint venture between the Chinese and Malay chambers of commerce in the state, which then entered an agreement with a Japanese shipping cartel carrying Sabah logs to overseas markets, including Japan.

Commissions, or 'rebates', of between US$1 to US$2 per cubic metre were allegedly paid into the accounts of offshore companies acting as agents in several countries, including Hong Kong.

It is believed these agents were linked to Dewaniaga Sabah, whose directors were mostly close associates of Harris Salleh.

Attempt to break cartel

This practise continued until the opposition Parti Bersatu Sabah (PBS) toppled the ruling Berjaya state government in 1985.

When PBS came to power, the then Chief Minister Joseph Pairin Kitingan's brother Dr Jeffrey Kitingan, who headed Yayasan Sabah - a foundation set up using the state's timber wealth - tried to break the cartel.

Sabah was then exporting as much as nine million cubic metres of logs overseas and the commissions worked out to as much as RM100 million annually, sources told malaysiakini.

The arrangement with the shipping cartel continues to this day, although export of logs has reduced significantly and replaced by processed timber.

Source : http://www.malaysiakini.com/news/65716