

CASE STUDY

12

COMMODITIES INVOLVED

Timber, corruption, and money laundering

CONVERGENCE TYPOLOGY

Embedded convergence where the crime types are inextricably linked

GEOGRAPHIC REGION

Southeast Asia



Abdul Taib Mahmud has been touted as the richest individual in Malaysia, with his personal wealth estimated to be at least USD 15 billion.⁶¹ He held the position of Chief Minister of Sarawak for more than 30 years from 1981 to 2014, during which time he is alleged to have controlled a network of companies involved in illegal logging. Taib was not only the Chief Minister, but also concurrently Sarawak's Minister of Finance and Minister of Planning and Resource Management, giving him enormous political power as well as absolute control over the allocation of timber licenses and logging concessions. He was additionally chairman of the Sarawak Timber Industry Development Corporation, the regulatory body for the logging industry which was also heavily involved in logging.⁶²

Already by the late 1980s, Taib's family members and close associates were estimated to control over 1.6 million hectares of timber concessions in Sarawak constituting more than 10% of the state's land. Taib and his wider family are regularly accused of corruption and personally benefiting from Sarawak's natural and economic resources. Several formal complaints against Taib of alleged corruption and abuse of power have been lodged with police and the Malaysian Anti-Corruption Commission (MACC) over the years.⁶³

Taib has been linked to various timber scandals, including a 2007 case when Japanese tax authorities revealed that Japanese shipping companies exporting timber from Sarawak had paid tens of millions of US dollars in illegal, secret kickbacks to Hong Kong companies linked to Taib's brother. In 2008, an Indonesian newspaper implicated Taib in a timber scam involving around 30 shipments of illegal Indonesian logs being imported into Sarawak every month and re-exported to other countries. According to investigation findings published by the NGO Bruno Manser Fund (BMF) in 2012, Taib and his family members are alleged to have amassed illegally acquired assets worth billions of dollars in Malaysia, Canada, United Kingdom, Australia, and the United States, among others, and stakes in over 400 companies worldwide.⁶⁴

⁶¹ <https://www.malaysiakini.com/news/209353>

⁶² <https://news.mongabay.com/2011/03/report-corruption-in-sarawak-led-to-widespread-deforestation-violations-of-indigenous-rights/>

⁶³ <https://www.malaysiakini.com/news/484233>

⁶⁴ Bruno Manser Fund (2012), *The Taib Timber Mafia: Facts and Figures on Politically Exposed Persons from Sarawak, Malaysia*, accessed at: https://www.brunomanser.ch/upload/berichte/bmf_taib_family_report_2012_09_20_2.pdf

In June 2011, the MACC announced that Taib was under investigation for allegations of timber corruption, following the Swiss authorities opening an investigation in May 2011 and freezing his assets held in Swiss banks.⁶⁵ A few months later, German authorities followed suit and announced an investigation into corruption and money laundering relating to Taib and his connections with Deutsche Bank.⁶⁶ Allegations were also raised of AUD 30 million of corrupt proceeds relating to Taib's business activities being laundered through the Australian real estate market⁶⁷ and CAD 29 million laundered through the Canadian real estate market.⁶⁸



Image 15: In June 2011, the MACC announced that Taib was under investigation for timber corruption, but in 2014 found he had not abused his position. Credit: Malaysiakini.

Despite the evidence raised in these allegations, enormous personal wealth gained while earning a modest government salary, repeated corruption complaints, and numerous investigations conducted across several countries, Taib's high-level political power has ensured he remains protected and no formal charges of corruption or money laundering have been laid against him. In 2014, the MACC found that Taib had not abused his position for corruption because approvals of land and logging areas were made by other ministers or the Sarawak cabinet rather than Taib himself.⁶⁹ However, amid international pressure, Taib resigned from the role of Chief Minister in 2014 and was instead appointed as Governor of Sarawak – a largely ceremonial position but still within the halls of power.⁷⁰ This case demonstrates the potential for timber crime to be linked to government officials at the highest levels, and the complexity of investigating such cases even where clear evidence exists due to the power and influence they can command.

GOOD PRACTICE

- **International cooperation** to investigate complex, high-level political corruption and money laundering allegations in response to an NGO investigation (even though they were unable to achieve a successful result).

⁶⁵ <https://www.sarawakreport.org/2011/05/swiss-president-orders-an-investigation-into-taibs-assets-exclusive/>

⁶⁶ <https://web.archive.org/web/20150411092506/>, <http://www.sarawakreport.org/2011/09/taib-probe-opens-in-germany-breaking-news/>

⁶⁷ <https://www.michaelwest.com.au/allegations-family-of-malaysian-billionaire-taib-mahmud-laundered-money-in-australia/>

⁶⁸ <https://www.michaelwest.com.au/banks-and-audit-firm-sued-over-taib-mahmud-money-laundering/>

⁶⁹ <https://web.archive.org/web/20140302064255/>, <http://www.themalaysianinsider.com/malaysia/article/no-proof-of-taib-power-abuse-as-sarawak-ministers-had-approved-land-for-his>

⁷⁰ <https://thediplomat.com/2014/03/taib-mahmuds-really-excellent-retirement/>