

## Chapter 2 Years of Plunder

Speaking before the US Senate in January 1900, Senator Alfred J. Beveridge called for the continued US involvement in the Philippines. One of his strongest arguments was: “...The wood of the Philippines can supply the furniture of the world for a century to come ... And the wood ... and other products of the Philippines supply what we need and cannot ourselves produce.”

The reputation of Philippine wood, particularly the *molave*, as "the best that can be found in the universe" was already well-established by the turn of the century. So enamored were the Spanish colonizers of the Philippines' lush, tropical forests that one wrote, “At least 10 ships can be built every year in these islands, and by taking care of their many forests, even if a hundred ships were built now, there would be enough timber left to construct every year the 10 (I have) mentioned.”

When the Spaniards began their 300-year colonization of the Philippines, they were seduced by, among others things, mountains blanketed by unending forests. In 1575, the forest cover was estimated to have been 27.5 million hectares, almost 92 percent of the total land area of the Philippines. The population then was only 750,000.

By 1800, with the population rising to 1.8 million, the forest cover, had been reduced by 1.4 million hectares and the deforestation rate was placed at 4,444 hectares annually.

During the Spanish regime, trees were cut mainly for building ships which serviced Spain's galleon trade with Mexico and other countries. Shipyards were established in various parts of the country: Masbate, Cavite, Pangasinan, Albay, Mindoro, Marinduque and Cebu. Cebu's forests were the most badly ravaged, in 1870, they already showed signs of overcutting.

With the setting up of the "Inspeccion General de Montes" and the Forest Service in 1863, all timber on public lands were required to be cut under license. Certificates for forest exploitation began to be issued to private companies.

Thus, the tradition of extraction with little concern for conservation began. Annual forest reduction from 1863 to 1900 was 51,000 hectares because of the increased demand for agricultural lands and settlement areas.

In 1934, 17 million hectares of forest land or 57 percent of the total land area remained. Of the 17 million hectares, 11 million hectares were virgin forests. In 1935, under the Commonwealth government, the rate of conversion of forests to other land uses accelerated as the population increased and commercial crops spread.

On the eve of World War II, the forest cover had diminished to under 60 percent of total land area.

## Legalized Plunder

It was American colonial forestry in the Philippines, however, which continued the systematic denudation of the forests. George Ahern, first American director of the Bureau of Forestry, presided over the passage of a forest law in 1904 that gave the bureau power to issue timber concessions on whatever scale and duration they deemed a lumberman's resources could match. Nearly 20 million hectares of forest lands were under his control.

Ahern convinced W.P. Clark, a prominent lumberman from Seattle, WA, to set up a replica of the Pacific Northwest's most advanced lumber mill in the Philippines. Clark organized Insular Lumber Company, the first timber concession in the country, which later cleared forests to make way for sugarfields in Negros. Ahern also introduced with great success Philippine mahogany in American markets, to take the place of the Central American mahogany, the quality of which was declining. Philippine mahogany, which is of the dipterocarp hardwood species, is common in Philippine forests. Dipterocarps have been prized for centuries throughout the western Pacific as elegant furniture and housing timber.

Even the foremost forestry school in the country reflected the temper of the times. The School of Forestry at the University of the Philippines in Los Baños was established in 1910 with the director of the Forestry Service as its head. It started molding students' minds about logging in tropical forest, then considered an agricultural crop. The first teachers were Americans who carried such outlook.

In the early 1920s until the 1960s, the Philippines was Asia's largest exporter of rainforest timber. From the US, the Philippines' market moved to Japan, which began importing timber from around the Pacific basin in the late 1920s when its industrial economy boomed. By the 1960s, Japan had become the world's largest importer of tropical forest products.

The Philippines' deforestation rate, meanwhile, peaked in the late 1960s at 300,000 hectares a year as the number of concessions grew, the export market for logs thrived and population increased. This rate declined to 150,000 hectares per year in the early 1980s because the country's forest cover continued to dwindle, and because timber from other countries filled the export market.

The country's deforestation rate decreased further, to less than 100,000 hectares per year in 1990 because of the ban on logging in many parts of the country, the reduced number of timber concessionaires and the intensified reforestation program. By that time, however, the slowed rate offered only small consolation.

The years of plunder had taken a serious toll on the Philippine forests. In 1991, only 6.46 million hectares of the original 27.5 million hectares were left. Of this, 1.79 million hectares are non-productive, meaning they are mossy forests unable to grow trees, while 1.8 million hectares are old-growth or virgin forests.



## **Licensing the Plunder: the Marcos Years**

The timber license agreement or TLA, which the government issued to concessionaires, is not as agreeable nor as harmless as it seems. It was the main instrument used to exploit the forests. Forest concessions used to be handed out by the different administrations at a frenzied rate. President Ferdinand Marcos, for example, used the TLA to reward supporters, enrich friends and family, and keep politicians under his patronage.

"The TLA was a privilege of the powerful," says Victor Ramos, former Department of Environment and Natural Resources (DENR) undersecretary. A typical concession covered about 40,000 to 60,000 hectares. Marcos's favored friends and family members, however, would get more than 100,000 hectares.

As Japan's construction boom and worldwide demand for Philippine timber increased, areas controlled by logging concessionaires increased from 5.5 million hectares in 1960 to 10.6 million hectares in 1971. Japan was the main importer of Philippine wood. Tropical timber became virtually the sole material used in plywood manufacturing in Japan.

Under Marcos, the number of timber licensees leaped from 58 in 1969 to 230 in 1977, the highest recorded figure. Yet these figures do not provide a complete picture. Marcos issued short-term "special permits" to fell trees. Counting these, the number of licensees soared to 412 in 1969, to 461 the next year and to 471 in 1976.

Clearcutting, instead of selective logging, became common. There was little sustained-yield management which requires that forests be cut so they could regenerate themselves in a few decades. The monitoring of the logging companies' operations by the Bureau of Forest Development (BFD) and law enforcement were extremely weak. In its own study conducted between 1980-1985, BFD saw for itself the blatant violations of basic procedures required by selective logging, starting from tree-marking.

## **Buying the Loyalty of Muslim Rebels**

The TLA was also used by Marcos to placate Muslim rebel returnees and buy peace. In exchange for coming back into the fold of law, these ex-rebels were given the privilege to fell trees.

"The condition was they had to provide jobs to people, to earn enough, to bring stability," recalls Teodoro Peña, former Minister of Natural Resources. Some were short-term leases, or "special permits." In 1984, Gerry Salapuddin, now governor of Basilan, was given a permit to cut trees - but only for a year. This was extended for another year, however, by Rodolfo del Rosario, who succeeded Peña.

Marcos also took chunks of forest land from legitimate concessions to give to the Muslim rebel returnees. Magnolia Antonino, president of the Mindanao Lumber Development Company which operated in South Cotabato, complained that Marcos in 1980 arbitrarily

sliced off 26,000 hectares from their concession to award to Amelil Malaquiok, another rebel returnee.

Marcos granted Malaquiok a five-year license. The former rebel subcontracted logging operations to former Assemblyman John Hofer's company, Sarimanok Timber, and a trading firm, Karamfil Export-Import Company, which figured in log smuggling. The Antoninos were never able to recover that part of their concession.

This practice of appeasing the rebel returnees with forest rights was short-sighted. Since they did not have the capital and equipment to manage their concessions, they usually exchanged their licenses for handsome royalties. And because the licenses were only for one to five years, there was no concern for managing the forest for future yields. In 1972 alone, Marcos issued more than 12,000 "special permits," though not just to Muslim rebel returnees.

The orientation of the government then, as reflected in its forest management policy, was to extract timber; concessions were required to use up at least 60 percent of the prescribed allowable cut. Failure of the licensees to meet the quota meant possible cancellation because in the eyes of the government, they were managing their concessions inefficiently.

As the concessionaires soon discovered, the allowable cuts were too high. The figures may have applied to certain provinces with thick forest cover but not necessarily to all. The computations were not based on thorough studies of forest areas in various parts of the country.

Pat Dugan, a forester for more than 30 years, recalls that when he was working with a logging concession in Negros Oriental in the 1970s, he had to ask for a lower approved volume from the Bureau of Forest Development because their concession would not be able to meet the prescribed cut. Not only would their TLA be cancelled; they realized that the forest would not survive. With the government-approved limits, they would be overcutting. Still, the Bureau did not grant them their request. The concession unilaterally reduced their volume.

In retrospect, much of the thinking that guided forest management was skewed. The "special permits" were only indicative of a more basic flaw: the lack of a coherent understanding of forest management, the absence of vision and, on the more pragmatic side, the lure of big money.

Given a permit that would cover from one to 10 years, lumber concessionaires did what was logical from their point of view: cut quick and go. The possibility of extending their licenses was always uncertain, thus there was a lot of insecurity. They were aware that the caprices of the Marcos government may change and their investments jeopardized.

To buy their security, some of the concessionaires resorted to bribery in whatever form, such as "royalties" and political contributions. One concession, for example, was paying



the father of a very senior Ministry of Natural Resources (MNR) official "royalties" as insurance of sorts for operating in Palawan.

C. Alcantara and Sons of Davao sent Marcos a check for a specified amount, in the millions of pesos, as a donation to his campaign fund in 1969. The check was returned. The company, one of the bigger concessions, got the message: they sent Marcos a blank check.

Another way of insuring the continuity of their licenses was for the logging companies to have influential politicians sit on their boards of directors. The move also speeded up the renewal of licenses and avoided the high cost of delayed operations.

"The system created a need for politicians in logging," Pat Dugan says. "There was someone to holler to for help, to expedite papers. It was influence peddling."

### **Cronies in Logging**

It started from the top, with Marcos and his friends. One of them was Alfonso Lim, a steadfast supporter of Marcos since his bid for the Senate in the early 1960s. Lim owned Taggat Industries, a 107,845-hectare concession in Cagayan, and was also managing another logging concession in the area, Parnplona Redwood Veneer Company Inc. He likewise held shares in Southern Plywood Corporation, Western Cagayan Lumber Company Inc. and Acme Plywood & Veneer Company Inc.

Through these companies, Lim had access to a total of 533,880 hectares in addition to about 100,000 hectares of forest lands that were located in between his different concessions. Because of the terrain, these areas were only accessible to Lim's companies. Effectively, he presided over the logging operations in over 600,000 hectares, a clear violation of the Constitution which provided that no single individual or corporation could have license to forest concessions in excess of 100,000 hectares.

Taggat Industries was set up in 1947 with an ordinary timber license. When concessions were ordered consolidated by Marcos in 1966, Taggat acquired additional lands, increasing its area to 64,725 hectares. As of 1989, its total area was close to 100,000 hectares.

In 1979, with the blessings of Marcos, Lim took over Veterans Woodworks (VWI) and its affiliates, Tropical Philippines Wood Industries, which was into plywood manufacturing, and Sierra Madre Wood Industries, which operated a sawmill. The corporate raid took place in a tense meeting with the boards of directors of the three companies. Lim said he came for a "showdown," determined to push for control of the companies through a management contract he imposed. One of the officers said they were willing to cooperate with him but they wanted to correct some defects in the management contract which he said violated the corporation law. Lim then thundered, "The contract was approved by the President. Do you mean the President does not know his Corporation Law?" He continued: "I am doing this job for free, for a friend, at P1.00 a



year, while all of you are being paid." He then announced he was abolishing the planning, sales and administrative departments and the management group. Pacing the room, his mood dark, Lim warned that if the board could not agree to his running the show, he was going to see the President "tonight at six" (March 28, 1979) for a "showdown." He directed his assistant to call up the President immediately. In that meeting, Lim constantly dropped the name of Marcos.

A management contract with Taggat Industries Inc. was eventually signed. Under its terms, Taggat Industries was granted full control and total management of VWI and its affiliates for a period of five years. When it expired in 1985, the contract was renewed, also with the go-signal from Marcos.

It was a case of cronies clashing, of pitting one against the other. In the end, Lim was the more favored one. Veterans Woodworks Inc., formed by a group of retired veteran military officers in 1971, was awarded a logging concession in various municipalities in Cagayan by Marcos. In 1973, the late General Eulogio Balao acquired more than P2 million worth of shares of the company, making him the major shareholder. It was believed then that he was fronting for Marcos. In 1979, two years after the death of Balao, Taggat Industries took over VWI, upon orders of Marcos.

Marcos personally looked into the operations of Veterans Woodworks once it was under Alfonso Lim's management. The MNR had no hand in the deal. When Lim wrote Marcos requesting approval of a lease-purchase agreement between Veterans Woodworks and the Development Bank of the Philippines (DBP) covering the plant facilities of Tropical Philippines Wood Industries, he wrote a marginal note on the letter, cryptic but final: "28 June 1985 Approved Ferdinand E. Marcos"

In protest over the new arrangement, the widow of General Balao, Carmen, wrote Marcos in April 1979.

"Mr. Lim is now the biggest timber concessionaire in Northern Luzon, if not in the entire country. During the lifetime of my late husband, he used to tell me that this Mr. Alfonso Lim was disappointed and unhappy because the General founded and established in Cagayan several corporations that will engage also in the wood industry. Mr. Lim wanted to maintain by all means his position of leadership, vast influence and prestige as the foremost concessionaire in the North. My late husband even told me that Mr. Lim envied so much and he coveted the thickly forested areas embraced by the concession of Veterans Woodworks Inc...

"Mr. Lim was also aware that there are plenty of narra and almaciga species in the concession of Veterans Woodworks...

"Mr. Lim must be now moving with the end in view of exploiting, benefiting and eventually owning the concession of Veterans Woodworks, through the vast powers of the President, using his friendship and closeness to you, Mr. President."

The letter went unanswered.



Six years later, Carmen Balao wrote once more, this time to the newly installed President Corazon C. Aquino. She asked that the company be returned to them. In March 1986, Lim turned over the company to Balao's widow and to its old board of directors.

### **Ravaging the Forests**

Not content with the vast concessions Lim took hold of, Marcos scraped whatever forest land was available. In Baggao, Cagayan, he found a 14,190-hectare forest area which he assigned Jose Campos Yao to look into. Yao then organized Oesco Timber for Marcos in 1977, working closely with Rolando Gapud as financial consultant.

Oesco's major shareholder, as listed in the Securities and Exchange Commission records, is the Independent Realty Corporation (IRC) with Rolando Gapud as corporate secretary. IRC president is Jose Campos Yao and Gapud is vice president. They got their license to operate the logging concession a year later and would have hang on to it until the year 2003, but fortunes changed and the Aquino government sequestered the company in 1986. Still, Ernesto Maceda, the first Environment and Natural Resources Secretary of President Corazon Aquino, allowed Oesco Timber to haul logs until the end of 1986. Campos Yao and Gapud also ran Trans-Oriental Woodworks, a wood processing company.

Cagayan's forests were plundered. Premium wood species such as narra and almaciga were cut and exported. No less than Marcos authorized the export of almaciga logs in 1985. Logs leaving the concession were unmarked. Logging roads traversed riverbeds. Veterans failed to pay more than a million pesos of forest charges and license fees.

Close to Cagayan, in Quirino province, Alfonso Lim had a counterpart: Felipe Ysmael Jr., an ardent Marcos supporter. He was president of Ysmael Steel Manufacturing Company, Ysmael Maritime Corporation, Ysmael Wood Industries and a host of other companies.

In 1970, Ysmael's various companies earned more than \$6 million and employed more than 3,000 people. His shipping company engaged in Southeast Asian trade. In the 1965 presidential elections, he was said to have donated millions of pesos to the Marcos campaign chest and, as a reward, was given forest concessions in the provinces of Quirino and Palawan. The favors from Malacañang did not stop with the granting of 54,920 hectares of forest land in Quirino and close to a hundred thousand hectares in Palawan.

Ysmael was able to borrow \$13.5 million from foreign banks by using as collateral the vast concessions he had received from Marcos that were guaranteed by the Development Bank of the Philippines. The loan was supposed to go into logging equipment and sawmills. Ysmael, however, did not really seem interested in operating the concessions. He was more keen on buying the equipment and getting away with hefty commissions. He later abandoned his concession in Palawan and subcontracted operations in Quirino



while earning royalties. Through all these, he indulged in horse racing, a consuming passion.

Ysmael's glory days did not last very long. In 1983, Marcos declared a log ban in Quirino and Nueva Vizcaya and cancelled Ysmael's license and eight other TLAs "to conserve the remaining forests...."

The sudden surge of concern for forest preservation was only a smokescreen, however. Ysmael was thought to have benefited enough from the graces flowing from the Palace that it was time to share the riches of the land with other friends and relatives who were more useful.

Barely one year later, about half of Ysmael's concession, 26,000 hectares, was awarded to a Palace official, presidential assistant Juan Tuvera and his Twin Peaks Development Corporation. The Tuveras knew when there was an opportunity up for grabs. Evelyn Fontanlla, vice president of Twin Peaks, wrote Marcos in 1984 requesting approval of a license covering Ysmael's concession. The company also asked for permission to cut and process 10,000 cubic meters of narra, a prohibited species, and export 20,000 cubic meters of logs.

Predictably, Twin Peaks closed the letter saying: "We would also like to take this opportunity to pledge to Your Excellency and the First Lady continuous support for your administration."

The request was given speedy and personal attention. In a marginal note, Marcos wrote:

*"17 July 1984*

*Dir. Cortes*

*Approved for one half of the area and the export of one half requested.*

*Ferdinand E. Marcos"*

A day after Marcos approved the request, Executive Assistant Juan Tuvera issued a memorandum to BFD Director Edmundo Cortes informing him of Marcos's go-signal. Later in the year, Natural Resources Minister Rodolfo del Rosario wrote Twin Peaks conveying Marcos's approval of their request to export Philippine mahogany logs.

The other half was given to Fortuna Marcos-Barba, Marcos's sister, who, together with her husband Colonel Marcelino Barba, formed Filipinas Loggers Development Corporation. Apart from Ysmael's half, the Barbas took over a nearby concession, C & M (Campos and Montinola) Timber Corporation spanning 67,680 hectares in Quirino extending up to the provinces of Aurora and Quezon.



The Barbas had other logging interests: Philwoods Integrated Industries covering 22,700 hectares in Nueva Vizcaya and Quirino; Federated Timber and Development Corporation, 31,307 hectares in Nueva Vizcaya and Quirino; and B & S (Barba and Sangil) Forest Inc., 50,000 hectares in Aurora and Quirino. B & S was granted a TLA in 1985 through a presidential decree. Marcos had suspended the original TLA operated by Dingalan Forest Products Corporation in 1978 and awarded it to his sister. The Barbas controlled a total of 197,687 hectares of forest land. In 1985, B & S, now Inter-Pacific Resources Corp., was found to have cut logs outside its concession - within the Fort Magsaysay military reservation in Nueva Ecija which was adjacent to its concession.

Ysmael appealed to Marcos saying he, too, was for forest conservation and had made some contribution to the cause. He was instead banished to Australia where he was appointed Marcos's personal envoy.

In 1986, soon after President Aquino came into power, Ysmael staged a comeback, anxious to retrieve his lost concession in Quirino. It was March 17, barely two weeks after his one-time ally and benefactor fled the country. Ysmael wrote Aquino and DENR Secretary Ernesto Maceda claiming his right to the concession of Twin Peaks Development Corporation. He also wanted to take possession of all logs found in the concession. After all, he said, the TLA issued him in 1965 was still due to expire in 1990.

Maceda denied Ysmael's claim, citing his order banning logging in Quirino in April 1986. (This ban, though, was lifted six months later.) Deputy Executive Secretary Catalino Macaraig likewise dismissed Ysmael's plea arguing that it was "prematurely filed" since the existing TLAs (which took over Ysmael's former area) have not been terminated by the DENR. Unwilling to be rejected, Ysmael went to court. He lost.

Quirino and nearby Aurora province were divided up by Marcos among his family and cronies. Similarly, Marcos granted a concession of 40,970 hectares to Verdant Agro-Forest Development Corporation in 1985. It was owned by Simeon Ventura Jr., Ma. Isabel Ventura, Fidel Ventura and Dennis Ferry. Ventura Jr. is an Ilocano whose father was an officer in the Armed Forces.

The approval came in the form of a marginal note of Marcos on Verdant's letter. Part of the area was formerly operated by Aurora Timber Industries Corporation. Teodoro Peña, former minister of natural resources, was legal counsel of Verdant Agro-Forest Development Corporation. At that time, Peña had just lost in his bid for a seat in the legislature, the Batasang Pambansa.

Not far away, Herminio Disini, a Marcos business associate, was busy carving up huge chunks of forest land in Ilocos Norte, Ilocos Sur, Abra, Mt. Province and Minga-Apayao for a logging concession and a pulp mill. The total area of Cellophil Resources Corporation, Disini's firm, was 197,046 hectares.



Cellophil personnel who entered Abra were accompanied by members of the Presidential Guard Battalion. Its logging operations, however, never took off because of vigorous opposition from the tribal communities.

Other relatives enjoyed portions of the largesse:

Judge Pio Marcos, uncle of Ferdinand, was a member of the board of New Era Lumber Enterprises, formed in 1973;

Josefa Edralin Marcos, Marcos's mother, was board member and major shareholder of Intercontinental Wood Processing Development Corporation formed in 1974 and board chairman of Serarose Development Corporation;

Dr. Pacifico Marcos, the President's brother, was member of the board of Sarmiento Industries in 1984 and was president of Miranda Enterprises, a 21,120-hectare logging concession in Isabela; and

Simeon Valdez, Marcos's uncle, was chairman of Zamboanga Wood Products. The company's foreign exchange losses in the 1980s worth \$538,851 million were shouldered by the Central Bank.

### **Gobbling up More Trees**

In Mindanao, the cronies received favored treatment as well. Sta. Ines Melale Forest Products Inc. (SIMF), formerly an American firm with a 99,000-hectare concession in Agusan del Sur, became an affiliate of the Construction Development Corporation of the Philippines, a company owned by the Cuencas who had close ties to Marcos.

SIMF's timber license was issued in 1958, the company was still owned and operated by Guillermo Ponce. In 1972, when Ponce got sick, a new group of stockholders came in. Rodolfo Cuenca later became the majority owner. The company's license expired in 1983 but immediately and easily got renewed despite reports that the company was not reforesting.

SIMF expanded rapidly and invested abroad in 1987 when it joined up with a company in Sabah, East Malaysia to set up an integrated wood processing plant. For its domestic operations, Sta. Ines entered into management contracts with other crony firms in the northeast part of the country, Cagayan province: Tropical Philippines Wood Industries, which is into plywood manufacturing, Sierra Madre Wood Industries, which operates a sawmill, and Veterans Woodworks, a logging firm.

Sta. Ines was also given generous loans by the Development Bank of the Philippines. In 1974, the firm borrowed \$2.446 million to cover the cost of imported logging and wood processing machinery, followed by \$980,630 in 1976 also for the purchase of equipment. At the same time, the company made a peso loan worth P11.2 million for the construction



of its building. Then, in 1979, DBP guaranteed a \$5 million loan. In 1982 and 1983, refinancing loans were made for past due interests.

Despite the massive infusion of funds, SIMF's operations experienced a slump starting in 1981 due to increased operating costs and insufficient supply of logs. The logging firm asked DBP for a restructuring of its amortization. DBP advised Sta. Ines, among others, to make sure it had definite sources of additional logs before loan payments would be restructured.

In 1983, already with tight finances, the company purchased Basey Wood Industries, a logging concession in Samar, from where additional log supplies would come. Sta. Ines assured DBP that Basey Wood Industries would definitely supplement their dwindling forest reserves. Helping a firm in distress, DBP rescheduled the company's debt payments. However, the operations of Basey Wood industries was suspended by the MNR in 1985 because of its severely inadequate reforestation program.

Because Sta. Ines's cash flow was weak and it could hardly pay its monstrous debts, DBP initiated foreclosure proceedings in 1985 but this was aborted by a court restraining order. When the Aquino administration took over in 1986, Sta. Ines Melale was sequestered by the Presidential Commission on Good Government (PCGG) and was one of the companies that fell under the domain of the Asset Privatization Trust (APT).

The APT and PCGG decided to lease the company's facilities so that operations would continue and DBP would eventually be paid. But then came a snag. The Department of Environment and Natural Resources suspended the operations of Sta. Ines in 1988 because the company cut undersized trees, harvested in excess of its allowed volume and logged outside its authorized cutting area.

The DBP came to the rescue. The bank wrote then Secretary Fulgencio Factoran, lobbying for the continuance of Sta. Ines's operations "because it is in the process of liquidating debts to government." The company also appealed to the Office of the President.

The DENR later allowed Sta. Ines to resume operations. Cash-strapped itself, the government put a premium on the company's continued logging operations and its ability to pay back its loans despite gross violations of law.

A good friend of Marcos, former Senator Pedro Sabido, was also into logging in another part of Mindanao, Surigao del Sur, where he operated 54,000 hectares of forest concession, the Lianga Bay Logging Company. Sabido, during the pre-martial law years, was a low-key golf partner of Marcos who played with the former President in the Malacañang golf course. A politician and lawyer from Bicol, he was also legal adviser of Marcos. Sabido, however, did not get his timber license from Malacañang. He took over the company from an American firm, Georgia Pacific.



Logging companies which drew money from state banks were not limited to Sta. Ines Melale Corporation. Other logging companies partook of the bounty as well:

Pagdanan Timber Products of Felipe Ysmael Jr. borrowed P454.8 million from DBP;

Pamplona Redwood Veneer of Alfonso Lim, P510.2 million from the Philippine National Bank (PNB) in 1981;

Sta. Clara Lumber, P210 million, DBP in 1978;

Tropical Philippines Wood Industries of Eulogio Balao borrowed Yen 2,013,418,373 and was guaranteed by DBP in 1976;

Cellophil Resources Corp. of Herninio Disini, US\$15,112,353 and US\$115,036,324 were guaranteed by DBP in 1974;

Cresta Monte Wood Producers, known to be owned by Juan Ponce Enrile but run by his business associate Ernesto Magboo, P187 million, DBP in 1974;

Two other logging companies also borrowed from government banks. Sarmiento Industries made a loan of P50 million from the PNB in 1983. In 1987, following PNB's rehabilitation program, Sarmiento Industries' loan was transferred to the national government. Eventually, in the same year, the company fully paid its accounts.

Paper Industries Corporation of the Philippines (PICOP), then owned by Andres Soriano, was a heavy borrower. It borrowed P2.6 billion from PNB and P93.8 million from DBP. The majority shares of PICOP are now state-owned.

### **Political Power and the TLA**

The TLA was also cleverly used by Marcos as both carrot and stick. In 1969, Marcos threatened to "downgrade" the logging industry and, instead, build up the mining industry as a major dollar-earner. More incentives would be given to investors in mining firms while investments in logging would be rechanneled to mining. He suggested that logging activities would be reduced to a minimum within 10 years.

In 1979, however, TLAs continued to abound, with close to 200 still operating. That number was nowhere near "minimum."

The real reason for the Marcos threat, according to some sources in the wood industry, was that Marcos was annoyed that many of the loggers poured in a lot of money during the 1969 elections, "indiscriminately spending," thus contributing to inflation. But, these same people say they supported Marcos, anyway, in his bid for reelection.



Marcos ordered the Department of Agriculture and Natural Resources and the Bureau of Forestry to suspend the renewal of all timber licenses, the granting of allowable cuts and additional concession areas. However, before the 1969 elections itself, Marcos, under pressure from loggers in Congress and politicians, suspended for one year (up to June 1970) an order not to renew TLAs due to expire.

Years later, in 1978, Marcos once more threatened the logging industry when he addressed a forestry Congress, a gathering of representatives from government, industry, research institutions and the academic community. At that time, about half of the TLA holders violated the forestry code.

"If necessary, I will cancel all licenses in order to protect the forest ... This is not said in anger; nor in pettiness or impatience: this is said after a long, patient and objective study of this problem... I have seen fortunes made overnight from the forest, and the wastage, and it makes my skin crawl to realize that there are many Filipinos who just don't care about the future generations' legacy in the way of forest resources," Marcos stated with aplomb.

In reality, Marcos came under similar pressure from the wood industry in 1969. He postponed by a year (from 1969 to 1970) the start of the gradual reduction of log exports. The Philippine Chamber of Wood Industries argued that such move would mean a loss of \$189 million.

Indeed, the loggers were the star performers in the export industry. In the 1960s, they contributed as much as 29 percent to total export earnings. From 1969 to 1972, they raked in an annual average of \$300 million. This reached its peak in 1973 with a record export earnings of \$472 million. Overall, they accounted for five percent of the country's gross national product.

Those were good times for the loggers. In 1965, the Philippines continued to supply at least 30 percent of the world's requirements which made the country the biggest, single log producer in the world. The Philippines topped the list of log exporters. This era created new millionaires.

Awash with money, they looked for other forests to log as the euphoria was gradually dying down in the Philippines. Indonesia was their next target. Arturo Tanco, Department of Agriculture and Natural Resources secretary from 1971 to 1974, then quipped that Filipino loggers went to Indonesia because many of the forest areas in the Philippines were already denuded.

### **Moving to Indonesia**

By the early 1970s, Philippine log exports were in permanent decline. Malaysia and Indonesia had rapidly overtaken the country's production by the late 1960s. The region's



expert, the country that shared with Indonesia the skill and technology of logging forests, had fallen behind.

Indonesia was a latecomer in the logging business, having started only in 1966 with the change of leadership. Suharto's open-door policy paved the way for foreign capital which was critical in exploiting Indonesia's forest resources. The government charged the lowest license fees in the region - five cents per hectare per year - and a negligible royalty of \$1.50 per cubic meter.

Within three years, Indonesia captured 20 percent of the Japanese market. The *Philippine Lumberman*, a trade magazine, gushed: "There seems to be no limit to its timber resources. Forests stretch across 120 million hectares, nearly two-thirds of her total land area. Unlike selective cutting in the Philippines, Indonesian government allows loggers to cut anything above 600 meters at sea level."

Filipino loggers, whom the Indonesians looked up to as experts, were invited to operate in Indonesia after President Sukarno was deposed in 1966. From them the Indonesians learned all about logging and lumber production.

In 1970, Indonesian officials invited Filipinos to help their government "properly exploit" their vast forest areas. Filipino loggers were to supply logs to the plywood factories of Japan, Korea and Taiwan - which would supply the dollars for machinery and capital. In June 1970, a group of Filipino loggers headed by Prince Manguma I. Abubakar of the Sulu Sultanate went to Jakarta.

Within the same year, about 17 Filipino logging companies were in Indonesia, mostly in Kalimantan. Kalimantan was one of the largest and least populated Indonesian islands and it had the most extensive timber resources. Others were in Sumatra and Sulawesi "cutting logs as they have never done before" and "going great guns," *the Philippine Lumberman* reported in November 1970. "RP woodcutters have gained the distinction of monopolizing the biggest timber source of Indonesia."

Filipino loggers cut the Kalimantan forest at the rate of 25,000 to 30,000 cubic meters monthly. They were selling their timber at an estimated \$20 per cubic meter, netting them almost half a million dollar's a month. Most of them were financed by Japanese buyers.

Red tape, however, was tough, exacerbated by the illegal deals of some Filipinos. The Indonesian government's Bureau of Forestry was aware of the activities of several Filipino speculators who were peddling fake timber concessions to legitimate Filipino loggers. If a logging company got an Indonesian concession in six months, it was considered lucky.

To make life easier, most of the Filipino logging firms employed retired Filipino army officers - generals and colonels - as senior executives who could deal better with Indonesian government officials.

Despite the obstacles, huge investments were committed by the 17 Filipino logging firms in Indonesia: a total of \$279.5 million in 20 years beginning in 1970. Some of them were:

Jessmag Inc., owned by Jesus Magsaysay, promised to invest \$2.5 million in a joint venture with an Indonesian firm to operate 120,000 hectares of forest land;

Philippine American Timber Company - \$1.5 million;

Valgosons Inc. - \$10 million;

Gonzalo Puyat and Sons Inc., owned by Gonzalo Puyat. This company brought \$100,000 as capital investment for a \$4 million joint venture with an Indonesian firm. Japanese funds were expected to back up future investments. The Puyats were one of the earliest to secure a logging concession: they got a license to operate 150,000 hectares of forest land;

Timber Industries of the Philippines started to operate in Indonesia in March 1969 in a 194,000-hectare concession. Monthly production was forecast at 10,000 cubic meters and timber cuts were to be sold exclusively to Japan. Production costs of \$6 to \$7 per cubic meter was almost 50 percent lower than that of the Philippines. The company brought in a \$2 million investment;

Bislig Bay Lumber Co. and A. Soriano Y Cia, owned by Jose M. Soriano, were granted 1.2 million hectares in East Kalimantan. The companies put in investments worth \$235 million and were required to set up an integrated wood industry (sawmills, veneer, plywood and pulp industries);

Philippine Lauan Industries Corp. owned by Loreto Aquino

Luna Timber Co. Inc.;

Santa Clara Development Corporation;

R.J. Golanes & Co. Inc., owned by Ricaredo Golanes, said to be one of the most successful loggers. He was allowed a monthly cut of 86,000 cubic meters;

Philippine-Indonesian Timber (formerly North Camarines Lumber) promised investments of \$3 million.

The Philippine Central Bank suspected that some corporations were financed by salted dollars. The Bureau of Internal Revenue likewise suspected that some of the companies evaded taxes to accumulate the pesos converted into dollars for "illegal" foreign investments. Despite these suspicions, however, no investigations were done on the companies.



## **Who's Who in the Logging Business**

The happy years for the log exporters were cut short, yet not completely. Marcos called for a phasing out of log exports under a program that would lead to a total ban in three years. Ostensibly, the decision was meant to protect whatever was left of the forests. Marcos also encouraged the local processing of wood to provide employment. The timetable was: 40 percent of log exports to be phased out in January 1974, 70 percent in January 1975 and 100 percent in January 1976.

Marcos, however, had a change of heart. He succumbed to pressure from the logging industry and, at the same time, saw an opportunity to enrich himself.

In 1975, a year before the total log export ban was to take place, he allowed the export of logs on a limited and selective basis. Timber licensees could export a portion of their log production provided that it would not exceed 25 percent of their total allowable cut as determined by the Minister of Natural Resources.

There were other conditions as well - the companies had to comply with reforestation and should not go beyond their annual allowable cuts.

This order gave a lot of power to the Minister of Natural Resources and the Director of the Bureau of Forest Development (BFD) to decide which, among the more than 300 companies, were qualified to export logs. Ultimately, however, it was Marcos who gave the final approval. "It was an opportunity to make money. For every cubic meter of export allocation, some amount was charged by DENR and BFD," says former Natural Resources Minister Teodoro Peña.

Money flowed to some MNR and BFD officials from the log exporters' coffers. One former BFD official recalls that at least \$5 per cubic meter was given to one MNR official. The "gift" went as high as \$10 per cubic meter. The political atmosphere at that time was friendly to making money from illicit deals, thus corruption was entrenched at the MNR and BFD.

It was a season of plenty. "Because the leadership was corrupt, the rank and file employees were not afraid to be corrupt," says a former BFD official.

## **An Unstoppable Hemorrhage**

At the same time, despite the order by Marcos for a total log export ban, there were persistent reports of log smuggling and dollar salting by some of the log-exporting companies. The credibility of the Marcos government was at its ebb. The hemorrhage of foreign exchange was so tremendous that Trade and Industry Secretary Roberto V. Ongpin proposed to Marcos the creation of a task force that would crack down on dollar salters, among them, log exporters.

In 1984 alone, more than \$38 million was salted abroad through overshipment of logs. The actual volume of logs unloaded in Japan was 938,000 cubic meters, more than 400,000 cubic meters in excess of the authorized export quota of 599,082 cubic meters. The export price then was \$80.71 per cubic meter.

Marcos, who was then already ailing and under international and domestic pressure to undertake reforms, agreed to Ongpin's proposal. In 1985, the Presidential Task Force on Anti-Dollar Salting, with members from the Finance Department, Department of Natural Resources, Armed Forces and Customs Commission, took off under the aggressive leadership of Ongpin. It did not have to look far.

The task force found 12 logging companies and one trading company to have overshipped 75,617 cubic meters of logs worth about \$7 million. Three were owned by Defense Secretary Juan Ponce Enrile: Dolores Timber, San Jose Corporation and JJ Tirador Lumber Corporation, formerly Cresta Monte. Task Forces recall that ships used by these companies were from the Cresta Monte Shipping company, also known to be owned by Enrile.

The then-Defense Secretary admitted owning San Jose Corp. but said he knew nothing about the smuggling. San Jose Corp. was reported to have exceeded its export limits. The Task Force executive director Eliseo Ocampo Jr. said Enrile's firm unloaded surplus logs in Taiwan.

Some of the other companies being investigated were known to be protected by Armed Forces Chief of Staff General Fabian Ver. "Emissaries of (General) Ver came to us, telling us to slow down our investigation," a government official involved with the Task Force recalls. But Ongpin gave instructions that such callers be told to see the President. The tension between Ver and Ongpin was building, prompting Ongpin to request security. Enrile, also at odds with Ver, assigned Ongpin 54 men.

Ordered closed by Marcos, upon the Task Force's recommendation, were:

Amelil Malaquiok Enterprises, owned by former Moro National Liberation Front commander Ronnie Malaquiok who was awarded a short-term license by Marcos to log in 26,730 hectares of concession in Zamboanga;

Jamil Lucman Enterprises, also owned by a former MNLF leader, with 22,125 hectares of forest land in Lanao del Sur;

P & B Enterprises, with Dolores Poblete, Ricardo Poblete, Violeta Tengonciang and Norma Poblete Swann as major shareholders:

SPV Timber and Construction Inc.;

Dolores Timber;



JJ Tirador Lumber Corporation (formerly Cresta Monte);

Butuan Timber;

East Construction Development;

Sta. Clara Lumber;

Philippine Veterans Development Corporation or Phividec; and

Karamfil Import and Export Co. which arranged the overshipment of at least three of the companies involved - Malaquiok Enterprises, Lucman Enterprises and P & B Enterprises.

The first two companies sold their logs to the trading firm, Karamfil, which shipped them. Karamfil and its sister company, P & B Enterprises, were said by Task Force sources to be notorious in log smuggling. Karamfil was owned by Loreto Z. Aquino and a Korean national, Ho Kwang Paik. Aquino, the Task Force sources recall, was known to be closely identified with General Ver.

Amelil Malaquiok Enterprises and Jamil Lucman Enterprises were later allowed to resume logging operations by Natural Resources Minister Rodolfo del Rosario despite the fact that Amelli Malaquiok, like other concessionaires, was found to be engaged in paper logging, meaning, they did not actually log but instead farmed out their licenses. A bulldozer operator employed by Karamfil said in a sworn statement that his employer operated in the area of Malaquiok.

In the case of Phividec, it had no log export quota but it sold its logs to P & B Enterprises which smuggled them to Japan. Phividec's subsidiary, Phividec Construction and Development Corporation or Phicondec - which was also into logging - had as major stockholder Philippine Lauan Industries Corporation, owned by Loreto Aquino who also owned the smuggling firm, Karamfil Import and Export Company. In another layer of relationship, Phicondec supplied logs to Philippine Lauan, a sawmill with an inadequate log supply.

Moreover, Phividec was logging in Davao del Norte using a special permit because it had no concession of its own. As the permit was about to expire, Phividec asked Marcos, through its chairman Lieutenant General Fidel Ramos, to convert the special permit into a TLA. Ramos wrote Marcos in February 1984 requesting that the TLA be put in the name of Phicondec or Phividec Construction and Development Corporation.

The company later took over a 31,061-hectare concession, most of it owned by Aguinaldo Development Corporation (Adecor) to which Phividec lent P5 million. Part of the area given to Phividec was taken from the concession of C. Alcantara and Sons, then the largest logging and plywood company. Adecor's logging operation was earlier



suspended by the BFD for the violation of forestry laws and for its failure to pay forest charges worth P3.6 million.

Phividec, seeing that Adecor would be unable to pay off its debt, asked Marcos - with an endorsement from then-Defense Secretary Juan Ponce Enrile - that they log in Adecor's concession. The request was granted and the veterans' firm was allowed a hefty cut of 30,000 cubic meters in a year. Ramos said this was not enough to help the company recover its investments. He then asked that they be given a log export allocation of 10,000 cubic meters for 1984.

Phividec was Marcos's gift to veterans and retired military officers. It was created in 1973 by presidential decree, with an initial capital of \$500,000, of which the government subscribed 20 percent. It was a tax-exempt company and open to active duty military personnel. Phividec's board members included: Eulogio Balao, who operated Veterans Woodworks, a logging company in Northern Luzon; Segundo Velasco, shareholder of Veterans Woodworks; Eleazar Pinto, Zosimo Paredes and Esteban Cabanon.

What emerged from the investigation of the Presidential Task Force on Anti-Dollar Salting was a tangled web of illegal arrangements and transactions involving Karamfil and a number of timber concessionaires. The first anomaly was: companies like Phicondec and Malaquiok Enterprises entered into agreements with third parties to log their concessions. Farming out of license is a violation of the law.

Second: These companies dealt with a trading firm that had a dubious structure. Karamfil was not authorized by the Justice Department to employ foreign nationals. The firm employed 14 Koreans in their management staff. The Koreans managed the cutting of trees, delivery of logs to the logpond in Davao del Norte and the shipment of logs to Japan.

Third: When Phicondec's TLA was cancelled in March 1985, Karamfil continued to cut and haul logs within Phicondec's area. To cover up its illicit operations, Karamfil used the delivery receipts of another logging company, C.C. Almendras, owned by former Senator and now-Representative Alejandro Almendras. In affidavits, employees of Phicondec said the receipts made it appear that the logs were delivered to Philippine Lauan Corporation when, in fact, these were brought to the Phicondec/Karamfil logpond. At the time of these shady deals, Lieutenant General Fidel Ramos was board chairman of Phividec, of which Phicondec was a subsidiary.

Fourth: Karamfil underreported the volume of the illegally cut logs. They also cut almaciga, a banned species from which resin is sourced, and misrepresented it as lauan or mahogany.

The Task Force filed charges against Karamfil and, reportedly, against the other companies. After the Aquino administration took over, Jose Concepcion, the Department of Trade and Industry secretary, put them in the backburner. One of the reasons, it was said, was that Enrile was still defense secretary.



The Aquino government was then on a "national reconciliation" binge and was careful not to antagonize Enrile, whose men were always on the verge of starting a coup. Enrile was, by all indications, a goner in the latter years of Marcos. By a stroke of luck, fearing retribution from Marcos upon the Palace's discovery that military officers close to him were plotting a coup in early 1986, Enrile took refuge in Camp Aguinaldo, an event that sparked the mass defection of the military from the Marcos regime and helped depose the dictator. The EDSA revolution put Enrile back in the vortex of power.

### **Corruption in the Ranks**

"Clean up the place." This was the first thing President Marcos told technocrat Teodoro Peña, who was appointed Minister of Natural Resources in 1981. Before him, Jose Leido Jr. ran the Department - which was renamed Ministry of Natural Resources in the late 1970s when President Marcos shifted from presidential to parliamentary form of government - for seven years. It was during those years that corruption at the MNR got firmly entrenched.

The presidential instruction was merely rhetoric, however. Marcos had a lot at stake in the Ministry. He had given out forest concessions to family and friends, and he was there to protect them. What he wanted, really, was a veneer of cleanliness, a hint of change, as he plucked a little known Yale-educated lawyer from the Export Processing Zone Authority to run the Ministry.

Peña was not going to manage the entire show by himself. Some things had to be approved by no less than President Marcos: log export quotas, TLA grants and cancellations. During Peña's term, he cancelled some licenses. But a lot of those who owned these companies had their network of friends. "Eventually, I would find out, their TLAs were restored. They passed through congressmen or went straight to the President. They wrote him letters and instructions were written on the margins of the letters. I wrote memorandums to the President and stated my objections. That's all I could do," says Peña.

Several violations in the industry came from undercapitalized firms which farmed out their operations. Without real responsibility, they received unlimited access to dwindling resources for a limited period.

For Peña, law enforcement was the most difficult part of the job. "Out there, it is hard to catch offenders. How do you extract absolute loyalty from the people in the field when they have low salaries and temptations abound?"

Basically, the logging industry ran the same course. What was slightly different was the introduction of the integrated social forestry program, where upland dwellers who resorted to shifting cultivation were taught agro-forestry as a source of livelihood. Stirrings of that program began in Peña's time. Politics later became more attractive to Peña who left the Ministry to run for the Batasang Pambansa in 1984, Peña realized that



he had taken over a ministry that had its inner ties with Malacañang Palace already tightly established. Marcos's man in the Ministry was Edmundo Cortes, director of the BFD. Marcos called Cortes directly if he had business to do with the MNR, and Cortes went straight to him for any problems.

He was “king” at the BFD for 11 years, from 1975 to February 1986, and ran the bureau like a feudal lord. Marcos gave him a wide latitude in operating his domain - as long as he played by the rules.

The powers of Cortes were enormous. He could suspend licenses of timber concessions. He recommended export quotas of logging companies. At his disposal was 50 percent of the Ministry's budget. “I was the envy of the other bureau directors, including the minister. I had a free hand. I enjoyed the support of the President,” recalls Cortes, his eyes lighting up as he reminisced his days at the bureau.

A burly man with a deep voice, Cortes liked to be godfather to his staff at the bureau. Given his power and relative independence - he was not accountable to the department secretary - he was a great dispenser of favors. He could assign his personnel to premier positions in Manila and take them out of the hinterlands. He dangled foreign trips and honoraria.

Cortes was also conscious of his public image and wanted to project himself through the media. He takes pride in having been featured in the *Readers Digest*, and even took up public speaking lessons in a speech clinic before he became bureau director.

Cortes's greatest asset, however, was his access to President Marcos. He was close to Joaquin Venus and Juan Tuvera, Malacañang presidential assistants. Venus later became Cortes's partner in their law office.

Cortes was good to his friends in the Palace. Upon his order, truckloads of narra, banned for cutting, would be produced and delivered to a Malacañang official for the construction of his house.

Ministers who succeeded Leido had a tough time taking Cortes under their wings. Teodoro Peña and Cortes had a rift. To Peña's deep dismay, Cortes was more powerful than he. Twice, Peña asked Cortes to resign to give him a free hand in running the ministry. Cortes wrote Marcos a memo complaining that Peña wanted him out. “He went directly to President Marcos. Before I came in, he already had his direct line to the President, through Juan Tuvera (executive assistant),” Peña recalls. Once, Peña met with the President in Malacañang and asked that Cortes be changed. That same day, Cortes found out about the meeting.

Edmundo Cortes started out as an employee at the Department of Agriculture and Natural Resources (DANR) in the 1960s, assigned to the Immediate staff of then-Secretary Arturo Tanco. Impressed by his credentials - a degree holder, cum laude in forestry from the University of the Philippines in Los Baños and a law graduate, Tanco recommended



this forester-lawyer to head the new Bureau of Forest Development (BFD), when the Department of Natural Resources split from the DANR in 1974.

The BFD was always known to be graft-ridden. Ernesto Maceda, when he took over the Department of Environment and Natural Resources (DENR) in 1986, described: “Next to customs and BIR, forestry people are the most notorious...” Even in the 1960s, the BFD was already reputed to be a corrupt agency. Vice President Fernando Lopez, who was concurrently secretary of the DANR, was urging Marcos to remove forestry director Antonio Quejado because of reports of corruption in the bureau.

(The Constitution under President Corazon C. Aquino abolished the parliamentary form of government. Consequently, all ministries were renamed departments. The Department of Natural Resources was expanded to include environmental protection as one of its key functions. Thus, the new name was DENR.)

Tanco himself said in 1972 that graft and corruption was widespread in the bureau. In a hearing of the House Committee on Appropriations, Tanco pointed out that some of the personnel of the bureau "are under the influence of concessionaires." Representative Eduardo Cojuangco then asked Tanco whether one of the reasons Filipino loggers were leaving for Indonesia was: “It was hard to deal with the Bureau of Forestry without giving something under the table.” Tanco answered, “In many cases, yes.”

In 1969, upon Lopez's assumption of the DANR post, a state prosecutor from the Department of Justice (DOJ) was assigned to the Department. His main responsibility was to investigate and prosecute the corrupt officials and employees in the BFD, as well as the timber concessionaires who had violated provisions of their TLAS. Following this, a committee was created to undertake the investigation. However, not any single complaint against Bureau employees was filed by the committee and no big timber concessionaire was punished. The joke then was, the “committee” should have been called “*kumita*” (earned).

Under Tanco, the DOJ sent another prosecutor to DANR who headed another committee. Still, there were no results. Either the investigators kept a blind eye or they succumbed to political pressures and also partook of the spoils.

### **WIDA: Ouster Ploy**

Rodolfo del Rosario, brother-in-law and business associate of Marcos's friend and banana king Antonio Florendo, took over the MNR for two years, from 1984 to February 1986. He faced the same problems that confronted his predecessor, Peña. Del Rosario revived the issue of implementing a total log export ban and prepared a memorandum for Marcos. It was never approved.

The quota system continued. The Office of the President provided the Ministry the master list of companies allowed to export logs. All the MNR would do was compute official export quotas of companies and submit these to Marcos for approval. Many times,



Malacañang would revise the figures. The export allocations for most companies were usually increased. At one time, though, the quota of Juan Ponce Enrile's logging concession was decreased, showing the growing isolation of the then-defense secretary. During his short term, Del Rosario spent a lot of his time maneuvering, trying to clip Cortes's wings. He set up the Wood Industry Development Authority (WIDA) which was meant to emasculate BFD and take away its function to license and regulate timber concessions.

Cortes was so entrenched in BFD that some loggers complained that they were uncertain about the tenure of their TLAS. If they were out of favor with Cortes and Malacañang, their TLA would surely be cancelled. The application of the law was subjective. "For the first time, I heard the phrase 'substantial compliance'. It's either you comply or you don't," recalls Jose Nograles, then assistant secretary and strategist to Rodolfo del Rosario.

A TLA could violate some forestry laws and need not be suspended or cancelled because it 'substantially complied' with the other requirements of MNR. It was a gray area which easily opened doors for corruption. Del Rosario found the situation confusing and attempted to put some order. But he realized he was up against an entrenched force in the Ministry.

To counter this prevailing structure, Del Rosario and Nograles knew that they needed an even more powerful body with the will to implement laws, a group not easy to twist nor bend.

WIDA was Nograles's brainchild. Its board was composed of the top men at the Department of Trade and Industry (Roberto Ongpin), Finance (Cesar Virata) and the National Economic Development Authority (NEDA). Before a TLA could be issued, the WIDA board had to approve it. For loggers used to Cortes's BFD, this was a more formidable structure to deal with. "We wanted to insulate the logging industry from politics, but we couldn't. We failed to test the concept," says Nograles.

At the inception stage, Cortes protested the formation of WIDA. But when he realized that it was going to get the approval of Marcos, he positioned himself to become the WIDA administrator. Instead, the post went to Arnold Caoili, an Ilocano whom Del Rosario picked because he was acceptable to Marcos.

It was not easy getting Marcos to approve WIDA.

The first time Del Rosario broached the idea to Marcos, the president immediately saw through it. He dismissed it outright and remarked: "*Kakapunin si Cortes niyan.*" (Cortes will be decapitated.) The second time, Marcos thought about the proposal and presented a counter-proposal for setting up an agency that will solely undertake reforestation. But, argued Del Rosario, BFD would be charged with that function. Marcos kept the issue hanging.



In the third attempt, Del Rosario submitted the order creating the WIDA through a Malacañang official, Manuel Lazaro, who was not exactly a Cortes fan. Marcos signed it in 1985 while Cortes was in Mexico attending a forestry congress. He came back to Manila surprised that he was outmaneuvered. That was to be the beginning of Cortes's gradual slip from power. WIDA had barely started, however, when the EDSA happened and Marcos was deposed.

