and plantations.

11.0 IMPLICATIONS OF THE PROPOSED BAN ON LOG EXPORTS

In July 1989, the Malaysian Government announced its plan to ban the export of certain species of sawn timber in the interest of local industries. Currently, the export of logs is banned in Peninsular Malaysia but not in Sabah and Sarawak. Recently the Minister for Primary Industry made another announcement to confirm that from March 1st 1990 a restrictive export tax will be imposed on selected species of sawn timber.

The Federal Government has also suggested that the export of logs be banned from Sabah and Sarawak. The State Governments are resisting this on economic grounds, arguing that it will take time to develop a downstream timber industry to compensate for the significant loss of revenue from reduced log sales. Discussions are continuing.

At present there are levies on the export of sawn timber, plywood and veneer. The bulk of the levies collected are used to finance the operations of the Malaysian Timber Industry Board and not for reforestation programmes. There are plans to collect a separate levy for reforestation, research and development. There is also a 15 percent export tax on the export of logs.

Many say that the combination of the taxes and the proposed ban could give the needed push for sawmillers to move downstream to more value added processing. It may also be another way to stabilise the price of timber which has escalated in the past year. Industry analysts say that Malaysia cannot continue to export the same level of logs and sawn timber as the local industry needs a larger supply to expand. The Industrial Master Plan has outlined the industry's long term plan:

i) the downstream sector is to be the growth engine and policies should be formulated with this in mind. Industry observers say that the local downstream industry is expected to grow by about 30 percent a year and, according to the Ministry of Primary Industry, the demand from local manufacturers should catch up to log supply in about two to three years. This seems rather optimistic.

ii) establish furniture complexes where furniture mills can enjoy the benefits of favourable land prices, common facilities, technology transfer, product specialization, supporting services and industries, etc;

iii) establish integrated rubberwood processing plants in which rubberwood can be sawn and processed into various finished and semi-finished products.