

FOREST AND TIMBER INDUSTRIES

The forestry and timber sector plays a major role in the socio-economic development of Malaysia. In 1988, this sector was responsible for 5.1% of the country's GDP, M\$7.07 billion (US\$2.62 billion) or 12.8% of total export earnings and direct employment of 162,000 people.

Timber is an important source of revenue. State Governments obtain revenue by imposing royalties at varying rates on logs and forest produce harvested. At the Federal level, export cess and income tax are collected. In addition, cess is being collected for silviculture, the growing of trees, with the revenue being utilised for silviculture and other rehabilitation activities in areas that have been logged. Government expenditures on forest management and development including research amounted to M\$172.94 million in 1988.

Unlike minerals, the forests are managed as a renewable resource for sustainable production. In this connection, Malaysia has adopted several strategies:

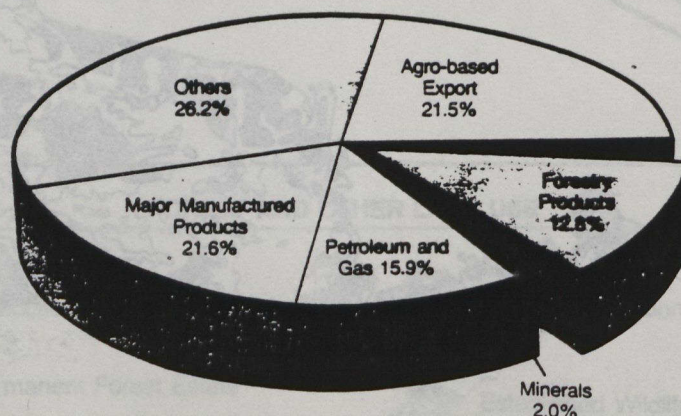
- promoting investment in the development of downstream processing to obtain higher

value-added products (which would help conserve the forest resource);

- limiting the export of timber and forest produce in their raw and rudimentary forms as part of conservation;
- promoting the optimal use of a wider range of timber species to reduce wastage;
- rationalising the annual allowable cut from natural forest to ensure sustainable management; and
- promoting the use of timber from tree crops other than those from the natural forests.

Better utilisation and conservation go hand-in-hand as reflected by the policy to obtain higher value-added products from a reduced volume of logging. In pursuance of this policy, the Government is seeking the cooperation of the international community to reduce, if not eliminate, tariff and non-tariff barriers which inhibit access of processed timber and timber products into their markets. This would help countries like Malaysia to balance economic and environmental needs from the upkeep of the forest for production and protection.

Table V: Contribution of the Forestry and Timber Sector to Malaysia's Export Earnings in 1988



Total Export Earnings in 1988 amounted to M\$55.33 billion (US\$21.13 billion)