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Malaysia

Forest Products

Annual Report

1998

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Report Highlights:
The Malaysia timber sector has been beleaguered by weakening prices and overseas demand for timber products effected by the economic crisis in Asian countries. U.S. Temperate hardwood and softwood did well in the Malaysian market in 1997. The outlook for the Malaysian furniture/interiors sector continues to shine. American wood product suppliers must be price competitive and move agressively. The GOM has announced a new export levy structure on Peninsular Malaysia's timber and timber-based products effective May 7, 1998.

Includes PSD changes: Yes
Includes Trade Matrix: Yes

Annual Report
Kuala Lumpur [MY1], MY

Executive Summary

Compared to the a very optimistic 1996 and early 1997, the Malaysia timber sector has been beleaguered by weakening prices and overseas demand for timber products effected by the economic crisis in Asian countries since July 1997. Demand for logs and lumber from traditional buyers such as Thailand, Japan, South Korea and the Philippines are all expected to dip in the near future. However, U.S. temperate hardwood and softwood did well in the Malaysian market in 1997. For hardwood, the U.S. took a 42% market share compared to 40% in 1996. Germany, Australia, China, Italy and Canada were the top competitors, capturing about a third of the Malaysian market. As for softwood, imports from the U.S. represented 48 percent of the Malaysian temperate softwood market while India emerged as a potential competitor.

Albeit a general slow-down since the latter half of 1997, the outlook for the Malaysian furniture/interiors sector continues to shine. The rush to complete the construction of hotels/resorts, theme parks, condominiums, offices and mega-shopping malls create a huge demand for furniture as well as more creative interior designs. The hefty increases in imports of temperate hardwood as well as softwood in 1997 confirm a big potential market in Malaysia for such wood from the United States for the furniture/interior sector.

As a follow-up to the annual Malaysian International Furniture Fair, a International Furniture Fittings Fair is scheduled to be held in November 1998. If proved to be successful, it would be held on an annual basis. Such a fair provide another opportunity for the U.S. hardwood as well as softwood exporters to promote U.S. timber products. However, in the face of fast growing competition from non-U.S.sources, American wood product suppliers must be price competitive and move aggressively into the Malaysian market in order to enhance their market position.

Export earnings from the timber sector rose significantly to RM14.7 billion in 1997. The timber product sector continued as the top commodity export earner (see table below). With the rapid development of down stream activities, earnings from wood panel (mainly plywood, veneer and particle board) and furniture exports have already surpassed those from logs and lumber.

Malaysia's Export Earnings by Major Commodities
(RM billion)

	1995	1996	1997
Total Exports of which,	185.0	197.0	221.4
Timber Products 1/	13.1	14.1	14.7
Palm Oil/Palm Kernel Oil	11.2	10.5	11.8
Petroleum Products	9.1	9.8	9.9
Rubber	4.0	3.5	3.0
Cocoa	0.5	0.5	0.5

1/ includes wooden/rattan furniture

Malaysia: Export of Major Timber Products, January-December 1996-97
(FOB Value in M$ million)

	Pen. Malaysia		Sabah		Sarawak		Malaysia	
	1996	1997	1996	1997	1996	1997	1996	1997
Logs	0	0	8	84	2261	2275	2270	2359
Sawn Timber	935	887	1099	927	1014	930	3048	2745
Plywood	401	344	1962	1916	2037	2070	4400	4330
Veneer	8	7	216	215	407	502	632	724
Molding	343	389	293	350	35	44	672	783
Dressed Timber	131	172	na	na	na	na	131	172
Woodchips	na	na	na	na	7	9	7	9
Chipboard	50	61	na	na	0	0	50	61
M.D.Fibreboard	273	421	na	na	na	na	273	421
Builders Joinery	na	na	na	na	na	na	403	504
Wooden Furniture	na	na	na	na	na	na	2089	2531
Rattan Furniture	na	na	na	na	na	na	81	82
Grand Total	2141	2281	3578	3493	5763	5830	14055	14721

Note: Molding includes wooden dowel; plywood includes blockboard. Total export excludes intra-trade among the country's regions (Penisular Malaysia, Sabah and Sarawak).

Key Economic Indicators for Malaysia
(Value in US$ million unless otherwise specified)

	1996	1997	1998(f)
Income, Production, Employment:			
Population (millions)	21.16	21.66	22.18
GDP in 1978 Prices	51,883	50,228	49,220
Percent Growth	8.2%	8.0%	-2%
GDP at Current Prices	99,516	97,637	92,267
Percent Growth	12.9%	9.8%	-5.5%
Per Capita GDP (Curr. US$)	4,690	4,462	4,160
Official Unemployment Rate	2.5%	2.7%	3.5%
Money and Prices:			
Inflation (CPI)	3.5%	2.7%	7%
Average Commercial Rate	10.0%	11.5%	NA
Balance of Payments:			
Merchandise Exports (FOB)	76,943	78,794	62,880
Merchandise Imports (FOB)	73,307	70,780	59,778
Exchange Rate (avg., per US$)	2.51	2.81	4.00

Sources: Bank Negara Annual Report 1997, Ministry of Finance Economic Report 1997/98 and U.S. Embassy Estimates.

Exchange rate
1996 average: US$1.00 = M$2.51
1997 average: US$1.00 = M$2.81
1998 (July) : US$1.00 = M$4.20

Production Section

Forest Situation

--The Forest Resource Base

Natural Forest

The total area of natural forest in Malaysia as at end of 1996 was estimated to be 18.76 million hectares or 57.1% of the total land area. The proportion of forested land is higher in Sabah and Sarawak than in Peninsular Malaysia.

Distribution and Extent of Natural Forests
by Major Forest Types in Malaysia, 1996
(million ha)

Region	Land Area	Dipterocarp Forest	Swamp Forest	Mangrove Forest	Total Forested Land	% Total of Forested Land
Peninsular Malaysia	13.16	5.32	0.30	0.10	5.72	43.5
Sabah	7.37	3.83	0.19	0.32	4.34	58.9
Sarawak	12.33	7.30	1.20	0.20	8.70	70.6
--Malaysia	32.86	16.45	1.69	0.62	18.76	57.1

Of the total natural forest, Malaysia has a total of 14.28 million hectares of forested land designated as the Permanent Forest Estate (PFE) which is under sustainable management. Approximately 10.99 million hectares of the Permanent Forest Estate are production forest with the remaining 3.29 million hectares being protection forest. The status of the Permanent Forest Estate in Malaysia is provided below:

Permanent Forest Estate in Malaysia, 1996
(million ha)

Region	Protected Forest	Production Forest	% Area under PFE	% of under Land Area
Peninsular Malaysia	1.76	2.92	4.68	35.6
Sabah	0.53	3.07	3.60	48.8
Sarawak	1.00	5.00	6.00	48.7
--Malaysia	3.29	10.99	14.28	43.5

Plantation Forests

A National Committee on Forest Plantation Development with full participation by the private sector has been set-up to formulate a national strategy and action plan for the promotion and effective implementing of the forest plantation programs. In this context, the Government of Malaysia had granted full tax exemption under the Pioneer Status for ten years or full tax exemption under the Investment Tax Allowance for five years.

In order to meet the projected wood requirement of the wood-based industries in Peninsular Malaysia, the Compensatory Forestry Plantation Project was launched in 1982 with the aim of supplying industrial wood to meet this demand. The Project plans to establish about 100,000 hectares of plantation based on a 15-year rotation, of fast-growing hardwood species, such as *Acacia mangium, Gmelina arborea, and Paraserianthes falcataria.* At the end of 1996, a total of 57,980 hectares had been established under the Project while another 6,204 hectares had been planted by the various State Forestry Departments in Peninsular Malaysia.

In Sabah, plantation forestry started as early as 1973 with the formation of the Sabah Softwood ompany. The development of forest plantations was further strengthened when the State Government formed the Sabah Forestry Development Authority (SAFODA) to reforest grasslands and areas degraded by shifting cultivation. Forest plantation establishment in Sabah is also being undertaken by the Sabah Forest Industries Company. At the end of 1996, a total of about 88,822 hectares had been established with *Eucalyptus deglupta; P. Falcataria, G. arborea, P. Caribaea,* and *A.mangium*. The State Government has envisaged that at the turn of the century, a total of 250,000 hectares of forest plantation would be established throughout the state.

Forest plantation programs in the state of Sarawak are mainly involved in the rehabilitation of degraded areas in the Permanent Forest Estate that have undergone shifting cultivation. At the end of 1996, the total area planted was about 10,000 hectares, mainly with *A. Mangium, G. Arborea, Shorea macrophylla, Swietenia macrophylla* and *Araucaria cunninghamii.*

Rehabilitation of Harvested Forests

All harvested inland forest in the production forest of the Permanent Forest Estate are silviculturally treated. At the end of 1996, a total area of 1.71 million hectares of the logged-over forest in the production areas of the Permanent Forest Estate in Peninsular Malaysia had been silviculturally treated in terms of poison-girdling and climber cutting while an area of 21,280 hectares had been enriched with indigenous species. Annually, it is targeted that 70,000 hectares of logged-over forest will be silviculturally treated while an area of 750 hectares will be indigenous species.

In Sabah, the total area silviculturally treated was 298,600 hectares while another 76,310 hectares of poor forests were enriched with indigenous species. Annually an area of about 12,500 hectares of logged-over forest will be treated.

In Sarawak, an area of 340,000 hectares of logged-over forests both in the Peat and Mixed Swamp Forests, and Hill Mixed Dipterocarp Forest was silviculturally treated. Under the Seventh Malaysia Plan (1996 - 2000), a total of 10,000 hectares of logged-over forest will be silviculturally treated annually.

Sustainability of the Forest Resources

To ensure the continuity of flow of wood production in Malaysia, the control and regulation of forest resources is carried out using the Area Control and/or Volume Control methods as prescribed in the forest management plan. In this regard, the allocation of the annual felling coupe is based on forest inventory data, the net area of production forest and the current silvicultural management practices that are being prescribed.

Forest planning and integrated operational studies carried out in Malaysia have clearly indicated the feasibility of continuous viable hill forest production in teams of economic log-outturn volume with periodic cuts every 25-30 years using locally appropriate cutting limits and leaving adequate number of medium sized trees of markable species for natural ingrowth into commercial sizes. It has been shown that, with average growth rates of trees over 30 cm d.b.h. of 0.8 - 1.0 cm year in diameter and 2.0 - 2.5 cubic meters per hectare per year in commercial gross volume, the hill forests in Malaysia are capable of producing every 25 - 30 yeas of at least 40 - 45 net cubic meters per hectare. However, it is imperative to curtail harvesting damage of the residual stand to not more than 30% of the intermediate sizes trees.

In this context, the practice of selective harvesting in Malaysia would ensure that the larger trees that remain would reach maturity in 25 -30 years it allow for a second round of harvesting. And the process goes on. This in itself is a form of silvicultural treatment because natural regeneration is increased by the gaps created during forest harvesting. Several studies have also indicated that regeneration of desirable species occur naturally in and around the gaps left by logging, especially in Sarawak, and only where necessary, the logged-over forests are sivilculturally treated to aid in their rehabilitation.

Malaysia has initiated a number of relevant actions to ensure that its commitments made at UNCED and to the ITTO's Year 2000 Objective are achieved in the shortest time possible. These actions include:-
- I) the development of a comprehensive national forestry action program to be implemented under the Seventh Malaysia Plan (1996 - 2000);

-II) the establishment of a National Committee on Sustainable Forest Management and a Task Force to oversee adherence to the relevant laws and regulations and to meet the ITTO criteria and indicator for sustainable forest management; and

-III) the establishment of a national committee to work towards the setting up of a National Timber Certification Council to oversee all aspects of timber certification in Malaysia.

--Competition with other Crops/Developments

For details on the pace of new land development under the Seventh Malaysia Plan 1996-2000, please see Report MY6029.

Timber Products

--Production Trends

Malaysia's total roundwood production declined 7.5 percent to 30,280 million cubic meters (cum) in 1997. Declines in output from Peninsular Malaysia and Sabah reflecting a continued attempt to reduce timber output to a more sustainable level. Only the State of Sarawak increased roundwood output, reflecting an increase in conversion of forested land to crop plantations. Malaysia's output of lumber also declined by 5 percent to 7.2 million cum in 1997. With a smaller roundwood harvest and more logs channeled to plywood mills, lumber output from Peninsular Malaysia and Sabah recorded declines. Malaysia’s plywood production enjoyed a 5.5 percent jump to 4.4 million cum while veneer production rose 3 percent to 1.2 million cum in 1997.

The outlook for log production in 1998 is for a further decline in line with the various state Governments moving to gradually lower production quotas year by year. Under the Seventh Malaysia Plan, log output is estimated to drop to about 27,000 cum by the year 2000. Lumber production should continue to decline in tandem except in Sarawak where the State government continues to place increased restrictions on the export of logs in order to encourage further expansion in downstream activities. Production of plywood and veneer is expected to grow further in 1998 with further expansion to be seen in East Malaysia.

Market Section

Construction Sector

Industry Outlook

The Malaysian construction sector consolidated in 1997 with growth moderating to 10.6% compared to 14.2% in 1996, another double-digit growth rate for the nineth consecutive year. Growth was generally broad-based and fueled primarily by the continued expansion in the construction of commercial and residential buildings as well as the implementation of several large infrastructure and civil engineering projects. Growth was particularly strong in the first three quarters of the year but slowed down to 6.8% in the last quarter due to the deferment of some projects in view of a tight liquidity condition. Major ongoing mega-projects including the new Federal Administrative Center at Putrajaya Phase I, Shah Alam Expressway, the Middle Ring Road II, the elevated Highway in Kuala Lumpur, the Light Rail Transit System and The Express Rail Link to the new Kuala Lumpur International Airport. Although the Government had announced the deferment of several projects including the Bakun Hydroelectric Dam in East Malaysia, the Linear City in Kuala Lumpur and a road project to link the three highland resorts, the impact was minimal on the sector.

Market Impediments

Given the fact that Malaysia is one of the largest producers of hardwood in the world, U.S.wood products are unlikely to penetrate into the Malaysian construction sector. Moreover, Malaysia is in close proximity to timber rich countries like Indonesia and Papua New Guinea.

Market Opportunities

Unless the timber resources in Malaysia, Indonesia and P.N.Guinea are exhausted, market opportunities for U.S. wood products in the construction sector are extremely limited.

Furniture/Interiors Sector

Industry Outlook

Albeit a general slow-down since the latter half of 1997, the Malaysian furniture/interiors sector continues to achieve impressive growth. The rush to construct hotels/resorts, theme parks, condominiums, offices and mega-shopping malls create a huge demand for furniture as well as more creative interior designs. In 1998, another 47 condominium projects comprising 14,790 apartment units and 42 major office buildings with a total lettable area of 1.32 million square meters are expected to be completed in and around Kuala Lumpur. In addition, 122 new hotels/resorts with 27,832 rooms were completed in Malaysia during 1997. The significant increase in hotel capacity was partly in preparation for the coming XVI Commonwealth Games to be held in Kuala Lumpur. All these developments provide tremendous opportunities for the expansion of the furniture/interiors sector and the usage of U.S. hardwood.

Supply of Office Space and Condominiums in Kuala Lumpur

	Office space		Condominiums		
	No. of Projects	Area in sq. meters	No. Of project	No. Of units	Area in sq. meters
1983	11	159,840	5	782	81,698
1984	12	342,899	4	561	60,065
1985	28	747,757	9	1,240	204,638
1986	11	304,780	2	460	70,857
1987	10	244,069	6	1,143	175,975
1988	4	43,255	4	936	95,771
1989	2	45,628	4	682	64,248
1990	0	0	8	1,221	139,386
1991	6	57,470	13	2,576	266,252
1992	7	95,296	21	3,346	380,897
1993	12	232,693	26	5,013	565,439
1994	15	350,951	40	8,507	973,202
1995	20	451,119	52	14,241	1,576,297
1996	16	321,629	35	8,342	1,022,444
1997	21	639,375	25	7,530	864,057
1998e	42	1,320,135	47	14,791	1,719,577
--Total (e-Estimate)	217	5,356,896	301	71,371	8,260,803

Supply of Hotel Rooms in Malaysia

Year	No. Of new Hotels	No. of new Rooms	Year-end Hotel Total	Year-end Room Total
1992	36	7,305	1,043	54,928
1993	47	6,077	1,090	61,005
1994	38	4,902	1,128	65,907
1995	92	10,466	1,220	76,373
1996	69	9,141	1,289	85,514
1997	122	27,832	1,411	113,346

The depreciation of the Malaysian Ringgit works well for the Malaysian furniture industry. Export earnings increasing by 21 percent to M$2.5 billion in 1997. The United States continued to be the largest single market for Malaysian wooden furniture (M$970 million), followed by Japan (M$466 million), Singapore (M$257 million) and Australia (M$116 million). The annual Furniture Fair at Kuala Lumpur has proved to successful in generating overseas demand for Malaysian manufactured furniture. The furniture industry projects an average annual growth of 10-15 percent from 1998 to the year 2000.

Malaysia: Exports of Wooden Furniture
(in million RM)

	1995	1996	1997
USA	662	824	970
Japan	414	469	466
Singapore	165	216	257
Australia	60	80	116
United Kingdom	63	77	107
Hong Kong	38	54	68
South Korea	19	60	64
Taiwan	49	46	56
Canada	24	30	54
U.A.E. Emirates	18	26	52
Saudi Arabia	17	22	39
Others	145	185	282
--Total	1,674	2,089	2,531

Market Impediments

U.S.temperate hardwood and softwood did well in the Malaysian market in 1997. Although Malaysian Statistics showed a decline in the imports of U.S. temperate hardwood, we believe most of the hardwood imports from Singapore were of U.S. origins. Put together, the volume represents 42% market share compared to 40% in 1996. Germany, Australia, China, Italy and Canada were the top competitors, capturing about a third of the Malaysian temperate hardwood market. In addition, a string of European suppliers continued to knock at the Malaysian door to sell their temperate hardwood.

As for softwood, India emerged as a potential competitor while more softwood were imported from Canada, Austria and South Africa.

Market Opportunities

The hefty increases in imports of temperate hardwood as well as softwood in 1997 confirm a big potential market in Malaysia for such wood from the United States for the furniture/interior sector. The American Hardwood Export Council (AHEC) has done a commendable job of increasing the awareness of U.S. hardwood in Malaysia. The decision to hold the AHEC second Southeast Asia Convention at Kuala Lumpur was a move in the right direction in exposing traders, furniture manufacturers, architects and interior designers to U.S. hardwood. There is still a need to reach a wider range of potential users such as housing, shopping and hotel/resort developers. It may also be appropriate to conduct a seminar dealing with the technical application of popular U.S. hardwoods in making furniture and flooring in Malaysia.

As a follow-up to the annual Malaysian International Furniture Fair, a International Furniture Fittings Fair is scheduled to be held in November 1998. If proved to be successful, it would be held on an annual basis. Such a fair provide another opportunity for the U.S. hardwood as well as softwood exporters to promote U.S. timber products.

Malaysia: Imports of Temperate Hardwood Lumber
(cubic meter)

	1995	1996	1997
U.S.A.	16,052	11,618	9,426
Singapore	0	0	9,116
Germany	430	885	3,327
Australia	20	544	2,852
China	1,693	1,762	2,786
Italy	0	62	2,599
Canada	1,264	6,982	2,221
Hong Kong	0	0	2,220
Switzerland	35	95	1,826
Taiwan	81	313	1,738
Sweden	317	1,886	1,245
Denmark	37	236	1,043
Austria	1,562	2,404	943
Japan	0	0	932
Netherlands	28	137	415
France	157	30	262
Finland	0	44	175
New Zealand	231	308	146

Russian	0	1,147	106
Poland	536	511	104
S.Africa	0	0	57
Ghana	0	0	56
U.K.	0	59	53
India	0	0	52
Indonesia	0	0	50
Romania	0	22	40
Dominica	0	0	28
Myanmar	0	0	7
Guyana	0	0	4
Cambodia	0	35	0
Georgia	0	31	0
Belgium	0	26	0
Others	85	0	0
Total	22,528	29,137	43,829

Malaysia: Imports of Temperate Softwood Lumber
(Cubic Meter)

	1995	1996	1997
U.S.A.	6,992	6,857	13,510
India	0	44	3,000
Canada	1,619	2,303	2,385
Austria	36	136	2,014
S.Africa	0	87	1,482
New Zealand	661	972	1,371
Australia	490	738	1,117
Sweden	192	241	979
Switzerland	0	142	696
China	232	297	683
Denmark	0	0	307
Taiwan	556	223	270
Russian	293	1,700	163
Belgium	0	0	89
Germany	44	0	72
Japan	0	0	69
Netherlands	0	0	41
Finland	0	0	31
Myanmar	0	0	20
U.K.	0	34	3
Indonesia	193	1,619	0
Singapore	4	0	0
Total	11,312	15,393	28,302

Materials Handling Sector

Industry Outlook

Materials handling is very much tied to the manufacturing sector. In 1997, manufacturing output rose by a slower pace. Apart from semiconductors, integrated circuits and plywood, other output that requires packaging registered negative growth.

Manufacturing Production: Selected Indicators

	Output	Change in %	
	1997	1996	1997
Integrated circuits (million units)	12,552	-4.9	28.4
Semiconductors (million units)	7,432	10.1	41.9
Television sets ('000 units)	7,775	-5.9	-12.7
Room air-conditioners ('000 units)	2,114	-3.2	-28.9
Household refrigerators ('000 units)	250	-12.9	-2.7
Plywood ('000 cu. meter)	4,508	26.9	1.3
Veneer sheets ('000 cu. meter)	1,263	-7.0	-4.5
Source: Department of Statistics			

Market Impediments

Malaysia has an ample supply of low-priced timber for making packaging, pallets, and crates. Furthermore, there are plenty of saw tailings for this sector.

Market Opportunities

For the near term, market opportunities for U.S. products are essentially nil.

Export Sector

Industry Outlook

Malaysia's exports of hardwood logs and lumber declined further in 1997 reflecting the Government’s policy to channel more logs to domestic down-stream activities. Japan and Taiwan are the two major buyers of Malaysian logs (accounting for 62 percent of total log exports in 1997) while Thailand, Japan, Singapore and

South Korea were the top four markets for lumber (54 percent of total lumber exports). Exports of plywood also fell 8% in 1997 with Japan and China as the dominant buyers. However, exports of veneer rose 15 percent with China, Japan and Taiwan being the top markets.

The timber trade has been beleaguered by weakening prices and overseas demand for timber products effected by the economic crisis in Asian countries since July 1997. Demand from traditional buyers such as Thailand, Japan, South Korea and the Philippines are all expected to dip in the near future. Faced with a rather gloomy scenario, timber exporters are turning increasingly to non-traditional markets such as Africa, Latin America, and the Indian sub-continent. A strong U.S. economy with low inflation should help to increase demand for moldings as well as furniture. The weak Japanese domestic market resulting from the weakening of the Yen would result in a decline in demand for lumber, plywood and moldings.

Revised Levy for Timber Exports

The government has announced a new export levy structure on Peninsular Malaysia's timber and timber-based products effective 7 May 1998.

The restructuring of levy is to boost the local timber industry which had been reeling from the economic slowdown. It is anticipated to encourage more exports and further improve earnings from this sector.

The good demand for Chengal, Damar Minyak, Nyatoh, Kembang Semangkok and Red Balau requires that the species be charged RM250 per m^3 , the same rate as previously. The increased demand for Heveawood (Rubberwood) for furniture making necessitates the continued imposition of the levy i.e. RM120 per m^3 and subject to a quota. On the other hand, levy on several other species has been suspended so as to encourage their export. In a move to ensure sufficient supply for the local value-added processing industry, levy is imposed on sawntimber strips of Jelutong, Dark Red Meranti, Light Red Meranti/Red Seraya and Red Meranti species. Only veneer of 2 mm thickness and above are charged with a levy of RM250 per m^3. The new levy structure is as follows:-

Timber Product	Rates
! Sawntimber (all sizes of Chengal, Damar Minyak, Nyatoh, Kembang Semangkok and Red Balau)	RM250.00 per cubic meter or part thereof, either kiln dried (KD) or air dried (AD)
! Sawntimber (all sizes of Rubberwood)	RM120.00 per cubic meter or part thereof, either kiln dried (KD) or air dried (AD)
! Timber strips (of Jelutong) Dark Red Meranti, Light Red Meranti/Red Seraya and Red Meranti)	RM120.00 per cubic meter or part thereof
! Dressed timber (S4S), E1E, E2E, E3E and E4E of Rubberwood and Chengal	RM120.00 per cubic meter or part thereof
! Finger-jointed and/or laminated sawntimber of Rubberwood and Chengal	RM80.00 per cubic meter or part thereof
! Veneer (more than 2 mm thick)	RM250.00 per cubic meter or part thereof

Competitor Activities

The Malaysian Timber Council (MTC) together with the Malaysian Timber Industry Board (MTIB) in Peninsular Malaysia, the Sarawak Timber Industry Development Corporation (STIDC), and the Timber Association of Sabah are all involved in efforts to promote the usage of Malaysian timber products. In 1997/98, MTIB participated in various exhibitions in Santiago(Chile), Moscow(Russia), Shanghai(China), the United Emirates, Egypt, South Africa, Cameroon, Gabon, Cologne, and the United States (High Point). The annual Malaysian International Furniture Fair is fast becoming an important venue for the promotion of Malaysian furniture. Some RM1.28 billion in sales were clinched at the last Fair held at Kuala Lumpur in March, 1998-- a 56 percent increase over the previous year's fair.

For the near term, Malaysia is giving more attention to Vietnam, Laos, Gabon, Cameroon, Egypt and South Africa.

Trade Section

Trade Overview

Malaysia: Exports of Tropical Hardwood Logs, 1996 1/
(1,000 cubic meters)

	Pen. Malaysia	Sabah	Sarawak	Malaysia
China	0	0	327	327
Hong Kong	0	0	466	466
India	0	2	307	309
Indonesia	0	7	0	7
Japan	0	4	3,569	3,573
Pakistan	0	0	29	29
Philippines	0	0	150	150
Singapore	0	0	3	3
South Korea	0	0	491	491
Taiwan	0	85	1,166	1,251
Thailand	0	0	358	358
Tunisia	0	0	1	1
U.A.E	0	0	12	12
Others	0	0	9	9
--Total	0	98	6,888	6,986
1/ Includes a small volume of poles, piles and posts				

Malaysia: Exports of Tropical Hardwood Logs, 1997 1/
(1,000 cubic meters)

	Pen. Malaysia	Sabah	Sarawak	Malaysia
China	0	0	401	401
Hong Kong	0	0	488	488
India	0	3	680	683
Indonesia	0	173	0	173
Japan	0	48	2,797	2,845
Pakistan	0	0	19	19
Philippines	0	0	61	61
Singapore	0	0	2	2
South Korea	0	19	352	371
Taiwan	0	48	1,204	1,252
Thailand	0	0	208	208
U.A.E.	0	0	9	9
Other's	0	64	18	81
TOTAL	0	355	6,237	6,593

Malaysia: Exports of Tropical Hardwood Lumber, 1996 1/
(1,000 cubic meters)

	Pen. Malaysia	Sabah	Sarawak	Malaysia
USA	6	1	7	14
Thailand	492	247	406	1,145
Philippines	21	103	241	365
Japan	61	235	64	360
Singapore	149	40	158	347
South Korea	10	167	113	290
Netherlands	150	73	10	233
Taiwan	23	53	141	217
Hong Kong	25	32	37	94
Yemen	18	20	37	75
China	1	20	52	73
Others	204	104	139	447
--Total	1,160	1,095	1,405	3,660

1/ Includes a small volume of railroad ties/sleepers.

Malaysia: Exports of Tropical Hardwood Lumber, 1997 1/
(1,000 cubic meters)

	Pen. Malaysia	Sabah	Sarawak	Malaysia
U.S.A.	10	3	9	22
Thailand	266	144	268	679
Japan	57	240	80	376
Singapore	139	26	169	334
South Korea	6	123	104	234
Taiwan	8	50	169	227
Netherlands	156	62	5	223
Philippines	3	48	158	209
Hong Kong	9	36	49	94
Belgium	59	14	3	75
China	2	16	49	67
Others	178	105	185	467
TOTAL	893	866	1,249	3,007

Malaysia: Exports of Tropical Hardwood Veneer, 1996
(1,000 cubic meters)

	Pen. Malaysia	Sabah	Sarawak	Malaysia
USA	0	1	0	1
China	0	49	143	192
Japan	0	73	54	127
Taiwan	0	31	94	125
Philippines	0	8	103	111
South Korea	0	16	24	40
Hong Kong	0	3	28	31
Singapore	0	2	9	11
Thailand	0	0	3	3
Netherlands	0	2	0	2
Others	2	3	1	5
--Total	2	188	459	649

Malaysia: Exports of Tropical Hardwood Veneer, 1997
(1,000 cubic meters)

	Pen. Malaysia	Sabah	Sarawak	Malaysia
U.S.A.	0	1	0	1
China	0	47	166	213
Taiwan	0	26	128	154
South Kore	0	29	86	115
Japan	1	46	48	94
Hong Kong	0	15	65	80
Philippine	0	1	76	77
Singapore	0	1	2	3
Netherlands	0	2	0	2
Thailand	0	0	1	1
Other's	0	3	1	5
TOTAL	2	171	574	747

Malaysia: Exports of Tropical Hardwood Plywood, 1996
(1,000 cubic meters)

	Pen. Malaysia	Sabah	Sarawak	Malaysia
USA	1	106	147	254
Japan	115	440	1,009	1,564
China	9	574	234	817
Hong Kong	21	171	127	319
Singapore	148	37	97	282
South Korea	2	100	148	250
Taiwan	3	138	30	171
Thailand	8	15	36	59
U.K.	32	9	3	44
Brunei	0	0	28	28
North Yemen	0	0	20	20
Others	37	11	57	105
--Total	376	1,601	1,936	3,913

Malaysia: Exports of Tropical Hardwood Plywood, 1997
(1,000 cubic meters)

	Pen. Malaysia	Sabah	Sarawak	Malaysia
U.S.A.	0	104	99	203
Japan	80	350	971	1,401
China	14	358	200	571
Hong Kong	11	226	167	404
Singapore	115	32	125	272
South Korea	0	137	134	271
Taiwan	1	133	38	171
U.K.	34	12	32	78
Saudi Arabia	0	20	11	31
Yemen Rep.of	0	0	28	28
Brunei	0	0	27	27
Others	31	43	82	156
TOTAL	286	1,414	1,914	3,614

Tropical Hardwood Logs PS&D Table

PSD Table						
Country:	Malaysia					
Commodity:	Tropical Hardwood Logs					
		1997		1998		1999
	Old	New	Old	New	Old	New
Market Year Begin		01/1997		01/1998		01/1999
Production	0	30280	0	29670	0	29000
Imports	0	476	0	500	0	600
TOTAL SUPPLY	0	30756	0	30170	0	29600
Exports	0	6593	0	5100	0	4000
Domestic Consumption	0	24163	0	25070	0	25600
TOTAL DISTRIBUTION	0	30756	0	30170	0	29600

Tropical Hardwood Logs Export Trade Table

Export Trade Matrix			
Country:		Units:	1,000 CUM
Commodity:			
Time period:			
Exports for	1996		1997
U.S.		U.S.	
Others		Others	
Japan	3573	Japan	2845
Taiwan	1251	Taiwan	1252
South Korea	491	India	683
Hong Kong	466	Hong Kong	488
Thailand	358	China	401
China	327	South Korea	371
India	309	Thailand	208
Pakistan	29	Indonesia	173
U.A.E.	12	Philippines	61
Indonesia	7	Pakistan	19
Total for Others	6823		6501
Others not listed	145		92
Grand Total	6968		6593

Tropical Hardwood Logs Import Trade Table

Import Trade Matrix			
Country:		Units:	1,000 CUM
Commodity:			
Time period:			
Imports for	1996		1997
U.S.		U.S.	
Others		Others	
Indonesia	377	Indonesia	404
Gabon	9	P. New Guinea	29
Papua N.G.	7	Cameroon	16
South Africa	6	Myanmar	11
		Thailand	10
		South Africa	6
Total for Others	399		476
Others not listed			
Grand Total	399		476

Tropical Hardwood Lumber PS&D Table

PSD Table						
Country:	Malaysia					
Commodity:	Tropical Hardwood Lumber					
		1997		1998		1999
	Old	New	Old	New	Old	New
Market Year Begin		01/1997		01/1998		01/1999
Production	0	7176	0	7400	0	7550
Imports	0	387	0	400	0	450
TOTAL SUPPLY	0	7563	0	7800	0	8000
Exports	0	3007	0	3050	0	3000
Domestic Consumption	0	4556	0	4750	0	5000
TOTAL DISTRIBUTION	0	7563	0	7800	0	8000

Tropical Hardwood Lumber Export Trade Table

Export Trade Matrix			
Country:		Units:	1,000(cum)
Commodity:			
Time period:			
Exports for	1996		1997
U.S.	14	U.S.	22
Others		Others	
Thailand	1145	Thailand	679
Philippines	365	Japan	376
Japan	360	Singapore	334
Singapore	347	South Korea	234
South Korea	290	Taiwan	227
Netherlands	233	Netherlands	223
Taiwan	217	Philippines	209
Hong Kong	94	Hong Kong	94
Yemen	75	Belgium	75
China	73	China	67
Total for Others	3199		2518
Others not listed	447		467
Grand Total	3660		3007

Tropical Hardwood Lumber Import Trade Table

Import Trade Matrix			
Country:		Units:	1,000 CUM
Commodity:			
Time period:			
Imports for	1996		1997
U.S.		U.S.	
Others		Others	
Indonesia	275	Indonesia	363
Philippines	3	Thailand	7
Burma	3	Singapore	7
Thailand	2	Myanmar	5
Papua N.G.	2	Vietnam	4
Singapore	1	Philippines	1
Total for Others	286		387
Others not listed	1		
Grand Total	287		387

Temperate Hardwood Lumber PS&D Table

PSD Table						
Country:	Malaysia					
Commodity:	Temperate Hardwood Lumber					
		1997		1998		1999
	Old	New	Old	New	Old	New
Market Year Begin		01/1997		01/1998		01/1999
Production	0	0	0	0	0	0
Imports	0	43829	0	46000	0	48000
TOTAL SUPPLY	0	43829	0	46000	0	48000
Exports	0	0	0	0	0	0
Domestic Consumption	0	43829	0	46000	0	48000
TOTAL DISTRIBUTION	0	43829	0	46000	0	48000

Temperate Hardwood Lumber Import Trade Table

Import Trade Matrix			
Country:		Units:	CUM
Commodity:			
Time period:			
Imports for	1996		1997
U.S.	11618	U.S.	9426
Others		Others	
Canada	6982	Singapore	9116
Austria	2404	Germany	3327
Sweden	1886	Australia	2852
China	1762	China	2786
Russia	1147	Italy	2599
Germany	885	Canada	2221
Australia	544	Hong Kong	2220
Poland	511	Switzerlands	1826
Taiwan	313	Taiwan	1738
N. Zealand	308	Sweden	1245
Total for Others	16742		29930
Others not listed	776		4473
Grand Total	29136		43829

Hardwood Veneer PS&D Table

PSD Table						
Country:	Malaysia					
Commodity:	Hardwood Veneer					
		1997		1998		1999
	Old	New	Old	New	Old	New
Market Year Begin		01/1997		01/1998		01/1999
Production	0	1165	0	1200	0	1250
Imports	0	0	0	0	0	0
TOTAL SUPPLY	0	1165	0	1200	0	1250
Exports	0	747	0	770	0	800
Domestic Consumption	0	418	0	430	0	450
TOTAL DISTRIBUTION	0	1165	0	1200	0	1250

Hardwood Veneer Export Trade Table

Export Trade Matrix			
Country:		Units:	1,000 CUM
Commodity:			
Time period:			
Exports for	1996		1997
U.S.	1	U.S.	1
Others		Others	
China	192	China	213
Japan	127	Taiwan	154
Taiwan	125	South Korea	115
Philippines	111	Japan	94
South Korea	40	Hong Kong	80
Hong Kong	31	Philippines	77
Singapore	11	Singapore	3
Thailand	3	Netherlands	1
Netherlands	2		
Total for Others	642		737
Others not listed	6		9
Grand Total	649		747

Hardwood Plywood PS&D Table

PSD Table						
Country:	Malaysia					
Commodity:	Hardwood Plywood					
		1997		1998		1999
	Old	New	Old	New	Old	New
Market Year Begin		01/1997		01/1998		01/1999
Production	0	4425	0	4600	0	4750
Imports	0	20	0	50	0	50
TOTAL SUPPLY	0	4445	0	4650	0	4800
Exports	0	3614	0	3780	0	3880
Domestic Consumption	0	831	0	870	0	920
TOTAL DISTRIBUTION	0	4445	0	4650	0	4800

Hardwood Plywood Export Trade Table

Export Trade Matrix			
Country:		Units:	1,000(cum)
Commodity:			
Time period:			
Exports for	1996		1997
U.S.	254	U.S.	203
Others		Others	
Japan	1564	Japan	1401
China	817	China	571
Hong Kong	319	Hong Kong	404
Singapore	282	Singapore	272
South Korea	250	South Korea	271
Taiwan	171	Taiwan	171
Thailand	59	United Kingdom	78
United Kingdom	44	Saudi Arabia	31
Brunei	28	Yemen Rep.of	28
Yemen	20	Brunei	27
Total for Others	3554		3254
Others not listed	105		157
Grand Total	3913		3614

Hardwood Plywood Import Trade Table

Import Trade Matrix			
Country:		Units:	1000 CUM
Commodity:			
Time period:			
Imports for	1996		1997
U.S.		U.S.	
Others		Others	
Indonesia	3	Indonesia	20
Total for Others	3		20
Others not listed			
Grand Total	3		20

Strategic Indicator Table

STRATEGIC INDICATOR TABLE: FOREST AREA (million hectares/million cum)			
Country:Malaysia			
Report Year:	1997	1998	1999
Total Land Area	32.9	32.9	32.9
Total Forest Area	18.7	18.5	18.3
--of which, Commercial	10.9	10.8	10.7
----of commercial, tropical hardwood	10.9	10.8	10.7
----of commercial, temperate hardwood	na	na	na
----of commercial, softwood	na	na	na
--of forest area, non-commercial	7.8	7.7	7.6
Forest Type			
--Of which, virgin	3.3	3.3	3.3
--Of which, plantation	0.2	0.2	0.3
--Of which, other commercial (regrowth)	10.9	10.8	10.7
Forest Ownership			
--Nationally owned and no commercial access	7.8	7.7	7.6
--Nationally owned, commercial logging permitted	18.7	18.5	18.3
--Other publicly owned land, no commercial access	7.8	7.7	7.6
--Other publicly owned, logging permitted	18.7	18.5	18.3
--privately owned commercial forest	0	0	0
Total Volume of Standing Timber	na	na	na
--Of which, Commercial Timber	na	na	na
Annual Timber Removal 1/	7.38 (ForPeninsular Malayisa only)		
Annual Timber Growth Rate	2.0-2.5cum/ha/yr (For Pen.Msia only)		
Annual Allowable Cut	46,040 ha (For Pen Msia only)		
1/ If Removals exceeds growth rate, analyze impact in text.			

STRATEGIC INDICATORS TABLE: FURNITURE & INTERIORS MARKET			
Country:Malaysia			
Report Year:	1997	1998	1999
Total Housing Starts (number of units)	na	na	na
Total Number of Households)	na	na	na
Furniture Production ($US million)	1.7	1.7	1.9
Interiors Market Size ($US million)	0.7	0.6	0.7
Total Furniture Imports ($US million)	34.9	33.9	32
Total Furniture Exports ($US million)	1032	1000	1050
Are tariffs on hardwood from the United States higher, equal or lower than hardwood imported from other countries? 1/	Equal		
Are non-tariff barriers on hardwood from the United States higher, equal or lower than hardwood imported from other countries? 1/	Equal		
Are there market development programs for furniture or interiors market expansion funded by foreign governments?	No		
If yes, identify the following:			
--Country(ies) 2/			
--Form(s) of competition: Export subsidy, trade show, trade servicing, permanent market representative (number), permanent office (location), or other. 3/			
--Estimated annual market expansion outlay ($US million) by country			
From Post's experience, is the willingness of U.S. suppliers to deliver product per importers' specifications low, medium or high? 4/	high		
If price quotes for furniture and interiors products are available, identify the leading source(s)	Malaysian Furniture Industry Council		
1/ If other than equal, explain in text.			
2/ If more than one country, report each country individually.			
3/ If "other", explain form of subsidy in text.			
4/ If low or medium, explain in test.			

STRATEGIC INDICATOR TABLE: CONSTRUCTION MARKET			
Country:Malaysia			
Report Year:	1997	1998	1999
Total Housing Starts (number of units)	na	na	na
--Of which, wood frame	na	na	na
--Of which, steel, masonry, other materials	na	na	na
--Of total starts, residential	na	na	na
----Of residential, single family	na	na	na
----Of residential, multi-family	na	na	na
--Of total starts, commercial	na	na	na
Total Value of Commercial Construction Market ($US million)	na	na	na
Total Value of Repair and Remodeling Market ($US million)	na	na	na
Are tariffs on softwood from the United States higher, equal or lower than softwood imported from other countries? 1/	Equal		
Are tariffs on plywood from the United States higher, equal or lower than plywood imported from other countries? 1/	Equal		
Are non-tariff barriers on softwood from the United States higher, equal or lower than softwood imported from other countries? 1/	Equal		
Are non-tariff barriers on plywood from the United States higher, equal or lower than plywood imported from other countries? 1/	Equal		
Are there market development programs for construction, softwood or plywood imports funded by foreign governments?	None		
If yes, identify the following:			
--Country(ies)			
--Form(s) of competition: Export subsidy, trade show, trade servicing, permanent market representative (number), permanent office (location), or other. 2/			
--Estimated annual market expansion outlay ($US million) by country			
Is the acceptability of U.S. style timber frame construction (i.e., per building codes, mortgage availability, etc.) high, medium or low? 3/	Medium		

Are consumer preferences for solid wood materials vis-a-vis non-wood materials in construction high, medium or low? 3/	Meduim		
From Post's experience, is the willingness of U.S. suppliers to deliver product per importers' specifications low, medium or high? 3/	Meduim		
If price quotes for construction and structural wood products are available, identify the leading source(s)	Malaysian Institute of Architects and Malaysian Institute of Interior Designers		
1/ If other than equal, explain in report text.			
2/ If "other", then explain in report text.			
3/ If low or medium, explain in report text.			

STRATEGIC INDICATOR TABLE: MATERIAL HANDLING MARKET			
Country:Malaysia			
Report Year:	1997	1998	1999
Total Value of Industrial Output ($US million)	17.8	16	17
New Pallet Production (million units)	na	na	na
Are consumer preferences for solid wood pallets and packaging materials vis-a-vis non-wood materials high, medium or low? 1/	high		
Are industry/trade preferences for repaired/recycled pallets over new pallets low, medium or high? 1/	low		
From Post's experience, is the willingness of U.S. suppliers to deliver product per importers' specifications low, medium or high? 1/	medium		
Identify leading source(s) of price quotes:	Malaysian Packaging Association		
Are there market development programs for the materials handling market expansion funded by foreign governments?	None		
If yes, identify the following:			
--Which Countries?			
--Form(s) of competition: Export subsidy, trade show, trade servicing, permanent market representative (number), permanent office (location), or other. 2/			
--Estimated annual market expansion outlay ($US million) by country			
1/ If low or medium, explain in text of report.			
2/ If "other", explain in text of report.			

STRATEGIC INDICATOR TABLE: WOOD PRODUCTS SUBSIDIES			
Country:Malaysia			
Report Year:	1997	1998	1999
Total Solid Wood Export Subsidy Outlay ($US million)	None	None	None
Is there a ban on the export of logs, lumber, or veneer? If yes, which?	Yes - Logs from Pen. Msia and quota for East Msia		
Are there export taxes (yes/no)? 1/	Yes		
If yes, for which products? (Identify export tax level in tariff table)	refer to past reports		
Source(s) of Export Subsidy Information	Not relevant		
Total Wood Production Subsidy Outlay ($US million)	Not relevant		
Are there any programs favoring the development of commercial forestry?	Yes		
If yes, Post best estimate of scope (thousands of hectares)	190		
If yes, Post's best estimate of financial outlay ($US million)	na		
Source(s) of Production Subsidy Information	Not relevant		
Does the country support export expansion activities similar to the Cooperator Program?	Yes		
--Which country markets are targeted?			
--Which products are targeted?	Mainly furniture and moldings		
Are there significant wood products export expansion activities at the provincial or regional level?	None		
--If yes, identify key players			
--If yes, identify key market segments			
--If yes, identify key country markets			
--If yes, identify key products			
--Post's estimate for combined outlay ($US million)			
Source(s) of Provincial/Regional Support Information			
Are there other wood products export expansion activities? If yes, describe in report.	Yes		

STRATEGIC INDICATOR TABLE: FOREST PRODUCT TARIFFS AND TAXES (percent)						
		Tariff	Tariff	Other		
Country:	Product	Current	Following	Import	Total Cost	Export
Report Year:	Description 1/	Year	Year	Taxes/ Fees	of Import	Tax
4401	Fuel Wood	20%	20%			0
4403	Wood in rough	0 to 15%	0 to 15%			0
4404	Poles/piles	10 to 20%	10 to 20%			0
4405	Wood wood/flour	5 to 20%	5 to 20%			0
4406	Rail Sleepers	5%	5%			0
4407	Lumber, sawn lengthwise	0	0			0
4408	Veneer/plywood	0 to 20%	0 to 20%			0
4409	Lumber, molded and rounded	20%	20%			0
4410	Particle Board	20%	20%			0
4411	Fibreboard of wood	20%	20%			0
4412	Veneered Panel	25 to 40%	25 to 40%			0
4413	Densified wood	20%	20%			0
4414	Wooden frames	20%	20%			0
4415	Packing cases/pallets	20%	20%			0
4416	Cask/Barrel/Vat/Tub	20%	20%			0
4417	Tool/handles	20%	20%			0
4418	Builders' joinery	20%	20%			0
4419	Wooden tableware	20%	20%			0
4420	Jewellery cases	0 to 20%	0 to 20%			0
4421	Other wooden articles	0 to 20%	0 to 20%			0
4422	na					
4423	na					
4424	na					
4425	na					
Pre-fabricated Houses, a subsection under chapter 96						
9406	Prefab building- wood25%	25%	25%			0
1/ Insert additional lines for Commodity tariff identification should tariffs vary within the four-digit designation.						