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Indonesia on the brink

Recent reports from Indonesia paint a picture of a country in chaos and an industry on the verge of collapse. Unemployment in Indonesia now stands at 9 million and is estimated to rise to 13 million by the end of the year. Soaring unemployment is helping to fuel intensifying anti government demonstrations. Plymills continue to close and considerable volumes of felled wood have been left to rot in the forest. Many Chinese, who had a major financial stake in the Indonesian timber sector, have simply cut their losses and moved out. They will have been encouraged to depart by the severe civil unrest, much of which has focused on the Chinese sector of the population. Systems to maintain the quality of Indonesian products are under pressure. Plywood prices are now 50% of their average level last year.

In the face of the worsening economic conditions and civil unrest, in late April President Suharto's Government reiterated its intention to meet a series of economic targets set by the IMF and made a number of gestures to reassure the international business community. Measures were taken to make investment in Indonesia more attractive. In early April, interest rates were raised to support the rupiah while restrictions on foreign participation in Indonesian business were eased. Early indications suggested that the measures had encouraged international financial markets - the rupiah rose by more than 25% during April. The IMF was sufficiently satisfied to authorise the release of US\$7 billion in financial aid to boost Indonesia's stricken economy.

However confidence was short lived. The rupiah plummeted again as reductions in subsidies and related price hikes on food, domestic fuel and electricity fueled the riots which eventually led, on 21 May, to President Suharto's resignation. Early signs are that Mr Suharto's departure, and his replacement by his own protegee, Mr Habibie, have done little to boost investor confidence. The appointment of Mr Habibie has been received with scepticism both

inside and outside Indonesia owing to his close links with the former regime. Continuing social unrest has encouraged Mr Habibie to announce general elections which are likely to be held early next year. Mr Suharto leaves behind him a country attempting a messy transition to democracy in the midst of a slump.

Against this background of political turmoil, the Indonesian timber industry faces an uncertain future. The uncertainty has been compounded by the Indonesian government's erratic behaviour in the face of IMF demands for structural reform. The government has apparently complied with IMF's recommendation that APKINDO, the plywood joint marketing body, be dismantled. Officially it is now acting only as a communication forum for plywood producers and a liaison agency between its members and government. Indonesian exporters are free to deal directly with foreign buyers and to use the shipping service of their choice. However, in early May there were reports that Bob Hassan was rallying Indonesian Plywood mills to keep them in line with the kind of centralised marketing they were used to under APKINDO.

Another area of uncertainty is the IMF's recommendation that Indonesia should reduce export taxes on Indonesian logs. This measure would inevitably push domestic log prices upwards and disrupt the plywood industry's raw material supply. However, IMF have argued that it would serve to increase the efficiency of Indonesia's plywood industry by opening it up to international competition.

In response to IMF pressure, the Indonesian government had originally proposed a sudden reduction in export taxes on Indonesian logs to 10% on 1 March this year. However, this measure wasn't implemented and apparently for good reason. Such "sudden shock" tactics would have a crippling effect on a plywood industry that is already reeling, serving to increase unemployment further in the short term and fuel social unrest. On 22 April the Indonesian government announced a more progressive ap-

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Peninsular Malaysia Suspend Levy

In an effort to boost flagging exports and help avoid bankruptcies, Peninsular Malaysia suspended export levies on most wood products on 6 May. Peninsular Malaysia are concerned about continuing lack of demand for their products, despite offering highly competitive prices on the international market. Due to plummeting exchange rates, the price of kiln dried DRM has fallen from around £670 per ton in April 1997 to £430 in April 1998. Meanwhile African prices have remained relatively stable. The State has suffered from lack of regional demand in South East Asia following last year's currency crises and continuing uncertainty over exchange rates. The levy suspension applies only to sawn wood from Peninsular Malaysia. Levies on two Group A species, Jelutong and Ramin, have been suspended. Other Group A species retain their RM250/m³ (RM352/ton) levy. With the exception of rubberwood, levies on all Group B species have been suspended. The levy on rubberwood has been revised from RM180/m³ (RM254 per ton) to RM120/m³ (RM170 per

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STATISTICS IN THIS ISSUE	
U.K. IMPORTS	
logs, sawn, plywood, veneers	
sleepers, blockboard	
Outside E.C.	
	January-December 1997
	January & February 1998
Intra E.C.	
	January-December 1997
	December 1997
	January 1998
GHANA	
Exports by product	Years 1996 & 1997
Product exports by species	
	Years 1996 & 1997
Product exports by destination	
	Years 1996 & 1997

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Peninsular Malaysian levies *continued from page 1*

ton) and its export is subject to quota. The levy on wood in Group C, formally set at RM40/m³ (RM56/ton) has been suspended. A levy of RM120/m³ (RM170 per ton) on timber strips has been introduced to promote value added processing.

The impact of the changes in levy on prices paid by importers will not be significant, as there is no guarantee the saving will be passed on. Many shippers will be looking to the reduction in export levy to offset recent increases in freight charges.

PENINSULAR MALAYSIA NEW EXPORT LEVIES	
<u>Group/species</u>	<u>New Levy Ringitt/m³</u>
GROUP A	
Chengal	250
Damar Minyak	250
Nyatoh	250
Kembang Semangkok	250
Red Balua	250
Jelutong	Exempted
Ramin	Exempted
GROUP B	
Dark red meranti	Exempted
Light red meranti/Red seraya	Exempted
Red meranti	Exempted
Melanta/Kawang	Exempted
White meranti/melapi	Exempted
Sepetir	Exempted
White Seraya	Exempted
Balau	Exempted
Bintangor	Exempted
Durian	Exempted
Geronggang	Exempted
Kempas	Exempted
Melunak	Exempted
Merbau	Exempted
Mersawa	Exempted
Perupok	Exempted
Rubberwood (quota)	120
GROUP B (STRIPS)	
Jelutong	120
Dark red meranti	120
Light red meranti	120
Red meranti	120
Red Seraya	120
GROUP C	
Other species	Exempted

Certification - who needs it?

Timber certification has been heavily promoted in European markets by environmentalists, certifiers, and large commercial retailers, notably in the Do-It-Yourself sector. Environmentalists see it as a way of improving forestry practices by creating market demand for sustainably managed wood. Retailers have supported certification to deflect environmental criticism and to discourage environmental groups demonstrating on their doorsteps.

The success of these campaigns is reflected in the extent to which certification has become a central feature of the policy debate surrounding forests. A number of countries have sought to exploit demand for certification through development of their own national programmes. Certain suppliers, including large Swedish producers and the Polish State Forest Service, have sought market recognition through Forest Stewardship Council certification. The UK is now toying with the idea of developing a national certification programme linked closely with the FSC.

But all this activity begs the question; just how strong is demand for certification? The question of demand is critical for those timber producers that are being encouraged by environmentalists and retailers to invest in certification. Unfortunately opinions on demand for certification vary considerably. There are those that believe that certification is an essential component of marketing strategy. Others are equally emphatic that their customers aren't interested in certificates.

The European Forestry Institute has recently published the results of extensive market research which has sought to shed light on this issue. Their research involved assessments of corporate and public attitudes to wood, forestry and certification in several European countries. According to the study, overall public demand for certified wood products is limited. The most important attributes of timber products for consumers in the main European markets (in order of importance) were: quality, durability, form, material, and economic price, followed by environmental attributes. The general public also demonstrated little willingness to pay for certification. Willingness to pay was highest in Germany and least in the UK.

Nevertheless, sustainably certified timber products were seen as being considerably more "environmentally friendly" and "in style" than non certified products. It was also stressed that much of the demand for certified products is being generated at corporate level. Retailers, local au-

thorities and public utilities are acting as "gate keepers" implementing environmental purchasing policies on behalf of their customers. Some corporate buyers seem willing to pay a premium. The European public regarded environmental organisations as the most credible certifiers, followed by industry. Governments were seen as least credible.

Attitudes of the importing industry to certification were revealing. Price and product quality were clearly more important factors in their customers buying decisions than the environment. However, the environment was seen as an important and growing marketing issue. Good forest management was regarded by industry as a source of competitive advantage. There was widespread belief in the need for certification. This was more to serve a general marketing need for credible information and to counter environmentalist claims, than to supply a niche market. In the UK, as many as 85% of industry respondents said that timber certification would support their decisions about future products and markets, while 50% said that certification would strongly influence their choice of raw material suppliers.

While recognising the marketing benefits, timber industry representatives were well aware of the technical problems. Nearly all industry representatives regarded chain of custody monitoring to be difficult or totally impossible. Industry saw little potential to derive a premium from certified products, and most believed their customers were not particularly interested in the origin of timber products. Industry strongly favoured ISO over other forms of certification. Another potential but less favoured route was the development of certification at EU level. FSC was the least favoured route to certification. Even within the WWF 1995 Plus Group there seemed to be doubts about FSC. 50% Group members surveyed stated they would prefer ISO certification over FSC certification. European forest owners were not impressed by certification. They were not ready to accept the costs, unless a premium was available, and did not see it as an effective way to improve practices. There was a higher degree of support for certification in the UK than in Finland. Larger forest owners were generally more receptive than smaller owners.

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B&Q

According to B&Q, the UK's largest DIY retailer, some 20% of their turnover is accounted for by timber and timber products, including such items as wallpaper, tool handles and toilet seats. These products are supplied by 160 companies in 40 countries. B&Q provides full details of its timber purchasing policy on the

internet (<http://www.diy.co.uk/enviro.htm>). B&Q has established ambitious timber purchasing targets. It wants to ensure that 15% of timber by volume is FSC certified by 10 May 1998, 50% by 14 June 1999, and 100% by September 1999. B&Q have invested heavily in promoting these targets, and their commitment to FSC, through national advertising campaigns. The company's determination to meet these targets

is reflected in their "firm" treatment of existing suppliers who are reporting that B&Q are threatening immediate withdrawal of business from any company that doesn't commit to FSC certification. B&Q seem to be relying heavily on home-grown timber producers to go down the FSC route. Around 50% of B&Q's timber comes from the UK.

INDICATIVE PRICES

Latest indicative prices available at time when preparing this report. Prices are subject to continuous variation and may vary in relation to volumes purchased, specification, port of shipment and quality of a particular shippers production. Specifications are given as a guide - in practice the details vary.

Logs

	Mar	Apr	May
Ex Cameroon Fr.F/m3 FOB Douala LM			
N^oGOLLON			
70cm+20% 60/69	1450	1450	1420
BOSSE 60cm+	1575	1575	1575
AYOUS 70cm+	1075	1075	1050
BIBOLO 60cm+	1450	1450	1450
SAPELE			
80cm+20% 70/79	1750	1750	1650
SIPO			
80cm+20% 70/79	1950	1950	1950
IROKO			
80cm+20% 70/79	1650	1650	1650

	Mar	Apr	May
Ex Gabon Fr.F/m3 FOB Owendo LM			
ACAJOU			
70cm+20% 60/69	1250	1250	1225
DIBETOU 60cm+	1225	1225	1200
DOUKA			
70cm+15% 60/69	1200	1200	1200
SIPO			
70-79cm10%/60/69	1725	1725	1725
80-99cm	1925	1925	1925

Sawn Timber

	Mar	Apr	May
Ex Ghana £/c.ft			
[Prices include a notional agent's commission and represent prices to importers & relate to FPIB price guidelines.] *subject to export levy.			
FOB Takoradi bundled FAS			
6"+ avg 9" C/£	3783	3844	3786
6' + avg 9' DM/£	2.99	3.07	2.87
AF.MAHOGANY	10.20	10.10	10.10
EMERI	8.00	8.00	8.00
UTILE	10.90	10.90	10.90
ODUM	9.60	9.60	9.60
SAPELE	9.55	9.10	9.10
EDINAM	9.30	9.00	9.00
GUAREA	8.20	8.20	8.20
WALNUT	8.80	8.80	8.80
NIANGON	8.70	8.80	8.80
OMU	8.20	8.00	8.00
DANTA	7.50	7.40	7.40
WAWA No.1 C&S	5.50	5.60	5.60
MAKORE	9.30	8.60	8.60

	Mar	Apr	May
Ex Cameroon Fr.F/m3 FOB			
FAS width 6"+, length 6'+			
SAPELE	3150	3100	3100
SIPO	3700	3700	3550
BIBILO	2850	2850	2900
N^oGOLLON	3050	3050	3150
AFRORMOSIA	3750	3750	3700
IROKO	3250	3250	3300

	Mar	Apr	May
Ex Gabon FR.F/m3 FOB			
FAS width 6"+, length 6'+			
OKOUME AD	2200	2200	2200

	Mar	Apr	May
Ex Zaire Fr.F/m3 FOB			
FAS width 6"+, length 6'+			
SAPELE	3250	3250	3100
SIPO	3800	3800	3600
MAHOGANY	2800	2700	2850
AFRORMOSIA	3600	3600	3600
IROKO	3350	3350	3350

	Mar	Apr	May
Ex Cote d'Ivoire Fr.F/m3			
Fr.F/£	10.00	10.28	9.63
FOB Abidjan FAS			
6"+ avg 9"-10"			
6'+ avg 10'-11'			
1"-2"			
IROKO	3250	3250	3300
SIPO	3600	3600	3500
MAHOGANY	2850	2850	2850
FRAMIRE	2150	2150	2150
SAMBA No.1 C&S	1550	1550	1550
AZOBE dim. stock		2000/	2000/
		2600	2600
OPEPE dim. stock		1850/	1850/
		2300	2450

	Mar	Apr	May
Ex Malaysia M\$/ton			
C&F UK port M\$/£	6.10	6.29	6.20
DARK RED SERAYA/MERANTI			
Select & better GMS			
width 6"+ avg 7"-8"			
length 8'+ avg 12'/14'			
1-2" KD	2700	2700	2580
2.5" KD	2800	2800	2675
3" KD	2900	2900	2800

	Mar	Apr	May
KERUING			
Standard & Better GMS			
1"-3"			
width: random or fixed			
length 16'+	1950	1875	1740
KAPUR			
Standard & Better GMS			
1"-3" plnd			
width 6"+ avg 7"-8"			
length 16'+	1950	1875	1800

	Mar	Apr	May
TEAK (Official price list basis)			
FEQ/equivalent			
Boards: 6"+ avg 8", 6'+ avg 8"			
Shorts: 6"+, 3'/5.5' avg 4'			
Ex. Burma US\$ per ton of 50cu.ft.			
FOB Yangon (Rangoon)			
Boards 1" 8"x 8"	3890	3890	3890
Boards 1" 8"x 8"	2670	2670	2670
Teak from Singapore and Hong Kong nearer S\$3500 for 1" Boards, 1.5" US\$3550, 2" 3750, and US\$3850 for 2.5"			

	Mar	Apr	May
Ex Brazil US\$/m3 C&F			
FAS US\$/£	1.65	1.66	1.63
6"+ avg 9-10"			
6'+ avg 10-11"			
MAHOGANY (Swietenia)			
1"-2" AD	1180	1180	1180
2.5"-3" AD	1200	1200	1200
1"-2" KD	1270	1270	1270
2.5"-3" KD	1290	1290	1290
VIROLA			
1" KD No.1 C&B			
boards	400	400	400
strips	370	370	370
CEDRO			
1"-1.5" KD	750	750	730
2" KD	780	780	760
2.5"-3" KD	810	810	790

Market Report

Hardwood

The economic crises in the Far East, and the desperate attempts of Asian governments to handle it, continue to exercise the minds of many in the UK hardwood trade. Earlier reports that Peninsular Malaysia would cancel export duties on 23 species from mid April have now come to fruition. While the aim has been to ease the financial difficulties of the Malaysian industry, there will be buyers of DRM who expect the cost savings to be passed on. The consensus view is that the impact on DRM prices will be small and will depend on the individual shipper. The reductions in export tax amount on average to little more than £0.3/cubic ft, particularly insignificant when considered against a background of uncertain exchange rates. Any reductions in price will also tend to be absorbed by increases in freight rates. An acute shortage of empty containers for export in the Asian region has forced shipping lines to increase freight charges by US\$150 per twenty foot container for Asia North Europe trade. The changes were due to take place on July 1, but many container firms have already imposed the charge.

There are reports of numerous mill closures in the Far East. A contact returning from the Far East heard reports that 80% of the mills in Sabah had closed. The Sabah government's efforts last month to revitalise the industry by withdrawing export duties and replacing with increased stumpage fees seem only to have exacerbated the situation. Increased fees coupled with depressed demand has meant that logging has more or less ground to a halt within the State. The Government is reviewing its policy and may have to backtrack.

Bankruptcies and financial disruption within the Asian logging and processing sector have restricted the volume of wood on offer. Demand also remains very limited and this continues to prevent any upward pressure on prices. North America, Taiwan and China are buying in growing volumes, but Korea, Japan and Thailand have backed away from any commitment due to depressed domestic demand. Meanwhile European buyers continue to resist the temptation to buy even at the low prices being offered and remain nervous of currency fluctuations.

Mixed signals regarding Indonesian government policy on a possible renewal of log and sawn wood exports add to the uncertainty. It seems clear however that the Indonesian government has moved away from its "sudden shock" plans, mooted earlier in the year, to reduce taxes on log exports to 10% overnight. The Indonesian government is now proposing a progressive reduction in export duties over the next 18 months. Some observers remain sceptical and see this proposal as primarily designed to encourage the IMF to release the first tranche of the \$43 billion rescue package agreed in October 1997. Industry contacts in Indonesia believe their government is unlikely to allow the export of rough

sawn timber.

It is likely to take time for prices of DRM to bounce back. Much will depend on the performance of Asian economies and their ability to regenerate demand. The long term prospects for the Malaysian economy seem reasonable, but considerable uncertainties remain over the economies of the big timber-buying Asian nations, notably Japan. The IMF believe Japan's economy will struggle to grow at all this year, despite the Japanese government's efforts to stimulate demand. In April, the Bank of Japan released its bleakest economic assessment of the year. On a more positive note, Asia's current cost position should be a highly attractive feature to foreign investors, and given reasonable confidence in new government policies on foreign ownership and control, should encourage foreign investment. Asian timber producers will also have to face up to the major challenge of stimulating new demand in European markets. A fresh dose of Asian vitality and organisation applied to the promotion of hardwoods in Europe would be a boost to a flagging industry.

Against this background of upheaval, continuing lack of UK demand for DRM is perhaps less surprising. UK tropical sawn stocks from Asia are said to be fairly high but some topping up is occurring. There are reports that Far Eastern contracts are running late due to problems with containers, particularly in Indonesia. The general feeling is that there has been a slight increase in UK demand for DRM, but not as high as expected given the low prices on offer. Sapele prices weakened marginally as the species came under pressure from Asian alternatives. However, there is a general feeling that prices have bottomed out now reflecting confidence that Sapele will retain a stable position in the market. Manufacturers seem to have become attached to the quality advantages of Sapele over DRM and are unwilling to switch despite the Asian species' considerable price advantage.

There are reports that Framire from the Ivory Coast is selling well, benefiting particularly from the relatively high prices now being asked for Ghanaian Emeri. Power cuts in Ghana continue and are likely to remain a problem for some time despite rain which should alleviate the severe water shortage at the Akosombo dam hydro-electric power plant. Some contracts are being delayed. Zaire has put last years supply problems behind it and trade is back to normal. Prices for North American Cherry are variable and difficult to pin down, but they have strengthened recently. There is particularly strong demand for 1" Cherry for domestic business forcing an upward shift in price. There continues to be plenty of Tulipwood on offer. Maple prices have continued their downward trend. There are reports of marginal improvements in sales of ash.

The market for teak is now small and stable, the species being used by a limited number of manufacturers selling high quality expensive products. Longer term trends have seen an in-

creasing use of iroko and a move by garden furniture manufacturers out of the UK, particularly to the Far East. Teak is an expensive species to hold in stock and most importers have cut right back on their stockholding. Prices remain high and stable.

Prices for Brazilian mahogany are relatively high and demand consequently low. There are expectations that the Brazilian logging season will begin as usual this year with the first shipments coming in late June, and kiln dried arriving early July. Brazilian mahogany quotas are set at low levels these days, only 15,000m³ for each 6 month period, but even these volumes are likely to be irrelevant given current lack of demand. There is some hope that plummeting demand levels have bottomed out and that trade will continue at a constant level, albeit a shadow of its former self. Other observers are more sceptical about the viability of the trade as there may be insufficient demand to encourage continuing mahogany exploitation. There may also be problems of supply as the Brazilian government, intent on extending their control over the industry, have introduced a new Environmental law. Brazilian exporters are having difficulty interpreting the law as it seems to conflict directly with the 1965 Forest Code. From July, trade in Brazilian mahogany will also be subject to CITES Appendix III monitoring. These new requirements may lead to bureaucratic delays.

The depreciation of Asian currencies has led to a very weak market in the UK for Latin American Cedro.

Brazilian shipments to Asia have dried up completely and many shippers rely on France to keep their export trade alive. However, French buyers who have become accustomed to Brazilian Tauari and Carupixa are looking again at low priced Dark Red Meranti from Asia and competition is said to be fierce. But the French may be reluctant to turn back to Malaysian wood after their experiences of sudden high prices of a few years ago.

Overall hardwood markets remain patchy with agents reporting little activity in March and April, the Easter vacation being offered as a convenient excuse. There is little optimism about the coming months. Margins are tight all round.

In the longer term, concerns are being expressed about the current state of the UK economy. A study by the National Institute of Economic and Social Research predicts that there is a "one in three chance" of the UK going into recession this year. The study suggests that growth in the UK economy will continue to slow during 1998 as the high pound squeezes exports and last years increase in interest rates depresses domestic demand. Economic growth is predicted at around 1.9% on average, less than the 2 to 2.5% predicted by Gordon Brown in his March budget. Longer term growth during 1999 is predicted to be around 1.6%. Output in the UK's manufacturing sector is thought to have fallen in the first 2 quarters of 1998. The main risk is that a delay in the fall of the £ could tip the

economy into recession. To avoid this, the £ will need to fall from its current level of DM3 to DM2.6. The forecast assumes that the Labour government will implement a minimum wage of £3.70 an hour, which would increase the national wage bill by 1%. The increase is expected to destroy 80,000 jobs during 1999, and 250,000 in the long term. Government borrowing will remain subdued. Another study by Oxford Economic Forecasting predicts that UK consumer spending growth will fall from 3.4% in the first quarter of 1998, to 2.2% in the 3rd and 4th quarters.

USA TEMPERATE HARDWOODS
INDICATIVE PRICES
(North Appalachian)
US\$ CIF UK MBM KD square edged
net measure after kilning

	<u>March</u>	<u>April</u>	<u>May</u>
\$/£	1.65	1.66	
RED OAK			
1"	1740	1740	1760
1.25"	1830	1830	1830
1.5"	1930	1930	1930
2"	2100	2100	2100
WHITE OAK			
1"	1710	1710	1710
1.25"	1825	1825	1825
1.5"	2155	2155	2155
2"	2780	2780	2780
ASH			
1"	1300	1265	1250
2"	1630	1580	1580
TULIPWOOD			
1"	1080	1080	1080
1.25"	1130	1130	1130
1.5"	1170	1170	1170
2"	1250	1250	1250
CHERRY			
1"	2940	2940	3300
1.25"	3000	3000	3370
1.5"	3190	3190	3500
2"	3475	3475	3600
HARD MAPLE			
1"	2285	2140	2140
1.25"	2475	2275	2275
1.5"	2530	2410	2395
2"	2580	2545	2515

New Market Study

The International Trade Centre has produced a study entitled "Secondary-processed Wood Products: An Overview of major markets 1996-1997". Copies are available from J.L. Albaladejo, Senior Market Development Officer, Market Development Section for Manufactured Products, International Trade Centre, UNCTAD/WTO, Palais des Nations, CH-1211 Geneva 10, Suisse. Tel: (41-22) 7300111, Fax: (41-22)7334439, email itcreg@intracen.org

Plywood

Confidence in the plywood trade seems to be improving after a period of considerable uncertainty caused primarily by on-going difficulties in Indonesia. Asian plywood prices appear to have bottomed out and stabilised. Malaysian plywood prices have recovered slightly with business in Europe at around INDO96 less 25%. Asking prices for Indonesian plywood now stand at around INDO96 less 26/27. China and America are buying in increasing volumes, and purchases are being made by Japan and Korea. Production levels have also been falling and this has contributed to the firming trend. Most of the mills in Sarawak are reportedly operating at 50% capacity and have enough forward contracts to ensure firming prices.

Volumes of Malaysian plywood are now being purchased in the UK but the return for mills is very low. Falling production has meant that significant shipments to the UK won't be made before July. UK stocks are low and there are domestic shortages of certain specifications, putting further upward pressure on prices. This will encourage importers who will see an increase in the value of existing stocks.

However, uncertainty over Indonesia's ability to cope with growing financial difficulties and social unrest, and its willingness or otherwise to comply with IMF inspired measures, continues to cast a dark cloud over the plywood trade. Due to lack of effective bankruptcy procedures in Indonesia, mills continue to produce at lower volumes, despite many being technically bankrupt. Indonesian plywood mills will be having difficulty coping with high interest rates, assuming they can find a bank to lend at all. None of Indonesia's banks are now considered internationally as credit worthy so mills will have difficulty securing letters of credit through local banks. Because individual Indonesian plywood mills are seeking business in the Europe, some suppliers may be unfamiliar with grade expectations of buyers and there could be problems over quality. In the longer term, IMF-inspired plans to phase out export duties on logs would also mean that the best logs go for export and a tendency towards declining plywood quality. Considerable restructuring of Indonesia's plywood industry would also occur as plywood mills saw major price hikes for domestic logs.

Indonesian uncertainty and low Asian prices have taken their toll on the plywood trade in other parts of the world. Brazilian hardwood ply, even at prices quoted as low as K14 less 22% is unable to compete and is effectively off the market. Looking to the future, Brazil has an election in October which, if President Cardoso is defeated, may mean an end to the governments monetary policy, including the Real Plan which keeps inflation down by artificially pegging the real exchange rate against the dollar.

Ghana exports

Unlike other African countries, Ghana gained little from increasing Asian demand for logs during the early part of 1997 because forest production is now entirely set aside for local processing. The impact of the Ghanaian government's drive to increase value added industry is apparent from the figures. Exports of secondary processed products including furniture, plywood and mouldings had a higher rate of growth during 1997 than other exports. Europe remains the main market for Ghanaian forest products, although Saudi Arabia has also been significant over the last 2 years. Wawa was the main export species in terms of volume, increasing volumes being kiln dried prior to export. Exports of iroko, both air dried and kiln dried, also increased between 1996 and 1997.

Ghana's plywood exports, which had been

as low as 3,600m³ in 1995, increased rapidly to 25,500m³ in 1997, but will have been hit hard during 1998 by the recent turmoil in the Asian plywood market.

GHANA PRODUCT EXPORTS		
m ³	1996	1997
lumber (air dried)	140297	142392
lumber (kiln dried)	84919	127398
boules	35772	47457
rotary veneer	25524	34458
sliced veneer	27882	30862
plywood	18888	25550
proc. lumber/mouldings	9610	12984
flooring	3413	3608
furniture parts	1472	3015
other products	16992	10314
TOTAL	364769	442078

Source ATIBT

	GHANA PRODUCT EXPORTS BY SPECIES (Source ATIBT)					
	AIR DRIED LUMBER		KILN DRIED LUMBER		MOULDINGS	
m ³	1996	1997	1996	1997	1996	1997
Odum	26974	39775	3778	8288	892	734
Wawa	48930	27478	69303	101594	6831	9781
Mahogany	16096	19157	494	2123	120	164
Ofram	6285	12569	662	1914	55	147
Teak	3093	4960				
Emire	3335	4675	9	952		
Edinam	4506	4401				
Niangon	3459	3684				
Papao/Apa	1725	3413				
Sapele	2602	2977	348	883		
Cedrella	1792	2717				
Koto/Kyere			6611	6827	515	711
Asanfina			802	1066		
Kusia					183	373
Albizia					493	252
Dahoma					129	236
Other	21500	16586	2912	3751	586	586
TOTAL	140297	142392	84919	127398	9610	12984

	GHANA PRODUCT EXPORTS BY DESTINATION (Source ATIBT)					
	AIR DRIED LUMBER		KILN DRIED LUMBER		MOULDINGS	
m ³	1996	1997	1996	1997	1996	1997
Saudi Arabia	18548	18936	189	4961		
Germany	28454	18667	9859	23170	4577	4363
Netherlands	12154	13394	2512	3646	526	896
Italy	9808	16587	3186			3313
Ireland	12115	13227	3662	5757	101	458
USA	11570	12174				283
France	8400	8935	13946	24185	2362	4230
UK	10465	8314	14678	14537	1577	1623
Spain	8714	5855				
Morocco	458	3822				
Taiwan			15336	14475		
Hong Kong			8122	14041		
South Africa			3831	6625		
Finland					52	615
Japan					67	228

UK Imports

Statistics are based on official figures of HM Customs and Excise. We try to amend anomalies, but it is not always possible to identify them. The imports of tropical wood apparently coming from continental Europe may include goods transhipped through a continental port. Boules and forms of square edged stock may be included under 'logs'. Where species are shown as coming from a source where it is known they do not occur, then it is assumed that the wood is wrongly identified and it is classified under "others" for that country. Major inconsistencies between volumes, weights and values are reconciled by estimates based on previous performance and marked 'E'.

From countries outside the E.C.

UK IMPORTS SAWN TROPICAL			
Classifications: 440724.90.0, 440725.60.0, 440725.80.0, 440726.70.0, 440726.80.0, 440729.61.0, 440729.69.0, 440729.99.0, 440799.98.0			
m3	Total 1997	Jan. 1998	Feb. 1998
BOLIVIA	1284	360	34
BRAZIL	20388	1306	444
BRUNEI	4		
BURMA	817	30	
CAMEROON	30675	1908	1153
CONGO	114		
COSTA RICA	34		13
DOM. REP	50		
ECUADOR	90		
EQ. GUINEA	173		
ETHIOPIA	151		
GABON	2975		74
GHANA	26647	2221	3002
GUYANA	9182	201	468
HONDURAS	33		
HONG KONG	110		
INDIA	110		
INDONESIA	5143	405	217
IVORY COAST	16019	1232	1610
M'GASCAR	30		
MALAYSIA	58765	4226	3517
MEXICO	25		11
NICARAGUA	32		
NIGERIA	988	20	19
PAPUA N.G.	84		
PERU	292		
PHILIPPINES	1524	91	44
SINGAPORE	2094	147	64
SOL. ISLANDS	57		
TANZANIA	215	2	63
THAILAND	356		60
TRIN. & TOB.		30	
ZAIRE	4549		
ZIMBABWE	56		
TOTAL	183066	12179	10793

UK IMPORTS SLEEPERS			
Treated & Untreated			
Classifications: 440610.00.0, 440690.00.0			
m3	Total 1997	Jan. 1998	Feb. 1998
AUSTRALIA	10758	1013	105
ESTONIA	11		
POLAND	65		
RUSSIA	50		
S. AFRICA	98		
SLOVAKIA	338		
SLOVENIA	44		
TOTAL	11364	1013	105

UK IMPORTS LOGS TROPICAL			
Classifications: 440341.00.0, 440349.10.0, 440349.20.0, 440349.30.0, 440349.40.0, 440349.50.0, 440349.60.0, 440349.70.0, 440349.90.0, 440399.99.0			
m3	Total 1997	Jan. 1998	Feb. 1998
BRAZIL	72		
BURMA	89	30	
C.A.R	155		
CAMEROON	14936	3117	2214
CONGO	46	135	
ECUADOR		27	
EQ. GUINEA	565		
FIJI	10		
GABON	6173	327	752
INDONESIA	81		
IVORY COAST	16		
MALAYSIA	540	33	62
MOZAMBIQUE		24	
NIGERIA	675		83
PANAMA	29		
PAPUA N.G.	355	87	
PARAGUAY	33		
SIERRA LEONE	4		
SINGAPORE	126	29	24
SOL. ISLANDS	16		
TANZANIA	17		10
VANUATU	101		
ZAIRE	27		
TOTAL	24066	3809	3145

UK IMPORTS LOGS TEMPERATE HARDWOOD			
Classifications: 440391.00.0, 440392.00.0, 440399.10.0, 440399.20.0, 440399.30.0, 440399.50.0, 440399.99.0			
m3	Total 1997	Jan. 1998	Feb. 1998
<u>BEECH</u>			
CANADA	10		
CZECH REP.	15		
ROMANIA	594	19	42
<u>BIRCH</u>			
CANADA	395		10
ESTONIA	19493	1792	733
LATVIA	14812	188	94
LITHUANIA			34
POLAND	108	68	84
RUSSIA	1806	44	178
<u>EUCALYPTUS</u>			
AUSTRALIA	15		
<u>OAK</u>			
RUSSIA	504	103	
<u>POPLAR</u>			
CANADA	80		
USA	137		
<u>OTHERS</u>			
AUSTRALIA	11	32	9
CANADA	3149	123	214
ESTONIA	7245	1302	4805
ISRAEL	29		
LATVIA	3871		13536
LITHUANIA	350	147	
NORWAY	430	172	
PANAMA	29		
PARAGUAY	40		
POLAND	139	23	70
RUSSIA	7905		1161
S. AFRICA	256		
USA	8920	912	1663
TOTAL	70343	4925	22633

UK IMPORTS SAWN TEMPERATE			
Classifications: 440791.90.0, 440792.90.0, 440799.91.0, 440799.93.0, 440799.98.0			
m3	Cum 1997	Jan 1998	Feb 1998
<u>BEECH</u>			
CANADA	448		84
CZECH REP.	26		
POLAND	150	26	
ROMANIA	1860	197	
RUSSIA	56		55
SERB. & MONT.	194	34	
SLOVAKIA	99	2	
UKRAINE	79		
USA	423	30	28
<u>OAK</u>			
CANADA	4173	253	544
CZECH REP.	43		8
HUNGARY	2		
LATVIA	180		
RUSSIA	380		92
SERB. & MONT.	25	22	
SLOVAKIA	78		13
TURKEY	20		
UKRAINE	137		172
USA	58361	5372	5211
<u>POPLAR</u>			
CANADA	232	65	28
LATVIA	38		
LITHUANIA	93		
USA	7469	571	697
<u>WALNUT</u>			
CANADA			2
TURKEY	62		
USA	554	126	112
<u>OTHERS</u>			
AUSTRALIA	3301	218	17
CANADA	19928	800	1043
CHILE	629		104
CHINA	191		
ESTONIA	9869	950	854
LATVIA	10416	2077	6230
LITHUANIA	1766		69
N. ZEALAND	20		
NORWAY	1106	84	
PARAGUAY	29		
POLAND	341		
RUSSIA	25457	307	62
S. AFRICA	628	40	20
SWITZERLND	22		
TURKEY	E8		
UKRAINE	18		
URUGUAY	25		
USA	45989	4088	3192
TOTAL	194925	15262	18637

UK IMPORTS BLOCKBOARD, LAMINBOARD, BATTENBOARD			
Classifications: 441222.91.0, 441229.20.0, 441292.91.0, 441299.20.0			
m3	Total 1997	Jan. 1998	Feb. 1998
BRAZIL	4774	234	196
CHINA	171		64
CZECH REP.	220		40
INDONESIA	25132	2428	1507
LATVIA	340		
LITHUANIA	492	40	14
MALAYSIA	86	21	165
NORWAY		35	
POLAND	313		
SINGAPORE	42		
USA			3
TOTAL	31570	2758	1989

UK IMPORTS PLYWOOD & OTHER LAMINATED BOARD			
Classifications: 441213.11.0, 441213.19.0, 441213.90.0, 441214.00.0, 441219.00.0, 441222.99.0, 441229.80.0, 441292.99.0, 441299.80.0			
m3	Total 1997	Jan. 1998	Feb. 1998
BELARUS	2736		
BRAZIL	141819	15068	7495
CANADA	60394	10786	13073
CHILE	1291	98	344
CHINA	5235	458	99
ESTONIA	5228	460	535
GABON	78		
GHANA	1932	26	84
GUYANA	6800	758	564
HUNGARY	142		
INDIA	249		
INDONESIA	216368	10649	9892
ISRAEL	1956	146	126
JAPAN	26	37	
LATVIA	28048	3026	3821
LITHUANIA	11214	877	1006
MALAYSIA	68672	9241	6187
MOROCCO	942	61	89
NORWAY	2726	301	223
PHILIPPINES	20	38	
POLAND	895	108	378
RUSSIA	80331	8177	5651
SINGAPORE	2722	19	
SLOVENIA	251	29	78
SWITZERLAND	25	97	223
TAIWAN			7
USA	257706	102776	42800
TOTAL	897806	163236	92675

UK IMPORTS VENEERS			
Classifications: 440831.11.0, 440831.21.0, 440831.25.0, 440831.30.0, 440839.11.0, 440839.21.0, 440839.25.0, 440839.31.0, 440839.35.0, 440839.51.0, 440839.61.0, 440839.65.0, 440839.81.0, 440839.89.0, 440839.91.0, 440839.99.0, 440889.81.0, 440890.89.0			
m3	Total 1997	Jan. 1998	Feb. 1998
AUSTRALIA	2	2	
BRAZIL	45	13	
CAMEROON	144		11
CANADA	1442	70	137
CONGO	25	26	
DOM. REP	25		
ECUADOR	1		
G'MALA	6		
GHANA	6319	253	221
HONG KONG	1		
HUNGARY	43		32
INDIA	20		
INDONESIA	223	56	68
IVORY COAST	445		32
LATVIA	1977		29
MALAYSIA	284	51	
NIGERIA	54		
RUSSIA	427		
S. AFRICA	2322	140	155
SINGAPORE	124		
SLOVENIA	660		64
SWITZERLAND	285	4	26
THAILAND	449	120	30
TURKEY	3		
USA	9843	1184	782
ZAIRE	2420	207	15
TOTAL	27589	2126	1602

Based on Abacus Data Services

UK imports from within the E.C.

HM Customs & Excise data for trade within the E.U is subject to delay. Because of new methods of statistical collection returns remain incomplete. Statistics are recorded as received and may be corrected subsequently (C).

INTRA E.C. UK IMPORTS HARDWOOD LOGS			
Classifications: 440341.00.0, 440349.10.0, 440349.20.0, 440349.30.0, 440349.40.0, 440349.50.0, 440349.60.0, 440349.70.0, 440349.90.0, 440399.99.0			
m3	Dec. 1997	Total 1997	Jan. 1998
BEECH			
DENMARK	108	1616	
FINLAND		488	
FRANCE		1890	
GERMANY	7	9999	
IRELAND		2	
NETHERLANDS		52	
SWEDEN	50	713	21
BIRCH			
FINLAND	177	406	
OAK			
FRANCE		1939	
GERMANY		112	
IRELAND		19	
ITALY		20	
OTHERS			
BELGIUM		344	
DENMARK		187	
FINLAND		2435	
FRANCE	55	705	
GERMANY	36	2904	
IRELAND	41	739	12
NETHERLANDS	34	287	
SPAIN		1239	
SWEDEN		C2481	
TOTAL	508	28577	33

INTRA E.C. UK IMPORTS PLYWOOD			
Classifications: 441213.11.0, 441213.19.0, 441213.90.0, 441214.00.0, 441219.00.0, 441222.99.0, 441229.80.0, 441292.99.0, 441299.80.0			
m3	Dec. 1997	Total 1997	Jan. 1998
AUSTRIA		143	
BELGIUM	186	C10697	623
DENMARK	132	1017	90
FINLAND	5294	C74554	4158
FRANCE	856	C32690	1660
GERMANY	554	C7233	473
IRELAND	49	C5828	165
ITALY	553	8581	755
NETHERLANDS	102	C2055	113
PORTUGAL		C3	
SPAIN	87	4973	643
SWEDEN	692	C8812	208
TOTAL	8505	156586	8888

INTRA E.C. UK IMPORTS BLOCKBOARD, LAMINBOARD, BATTENBOARD			
Classifications: 441222.91.0, 441229.20.0, 441292.91.0, 441299.20.0			
m3	Dec. 1997	Total 1997	Jan. 1998
BELGIUM		94	
DENMARK	72	414	47
FINLAND	393	4066	176
IRELAND	1	59	7
ITALY		28	
NETHERLANDS	206	1262	79
SPAIN		5	
SWEDEN	163	302	
TOTAL	835	6230	309

INTRA E.C. UK IMPORTS SAWN HARDWOOD			
Classifications: 440724.90.0, 440725.60.0, 440725.80.0, 440726.70.0, 440726.80.0, 440729.61.0, 440729.69.0, 440729.99.0, 440799.98.0			
m3	Dec. 1997	Total 1997	Jan. 1998
BEECH			
BELGIUM	32	1270	125
DENMARK	805	C11271	227
FRANCE		C782	133
GERMANY	3108	36806	2540
IRELAND		37	
ITALY	11	38	
NETHERLANDS		30	
SPAIN		33	
SWEDEN		108	
OAK			
BELGIUM		350	
DENMARK		478	
FRANCE	459	C4715	321
GERMANY		527	117
IRELAND		65	
NETHERLANDS	51	1041	1
SWEDEN		C60	
OTHERS			
AUSTRIA		8	
BELGIUM	170	C3250	1205
DENMARK	123	3181	167
FINLAND	224	15282	283
FRANCE	190	1644	1018
GERMANY	459	C4847	340
IRELAND	120	C1393	105
ITALY		24	
NETHERLANDS	863	13243	64
PORTUGAL		5187	
SPAIN	155	779	206
SWEDEN	1276	24692	2121
TOTAL	8046	131141	8973

INTRA E.C. UK IMPORTS VENEERS			
Classifications: 440831.11.0, 440831.21.0, 440831.25.0, 440831.30.0, 440839.11.0, 440839.21.0, 440839.25.0, 440839.31.0, 440839.35.0, 440839.51.0, 440839.61.0, 440839.65.0, 440839.81.0, 440839.89.0, 440839.91.0, 440839.99.0, 440889.81.0, 440890.89.0			
m3	Dec. 1997	Total 1997	Jan. 1998
AUSTRIA		62	
BELGIUM	114	C2361	122
DENMARK	6	C599	109
FINLAND	7	265	44
FRANCE	78	C1734	164
GERMANY	105	C2466	168
IRELAND	2	C127	3
ITALY	28	C329	25
NETHERLANDS	2	C409	29
PORTUGAL	13	44	
SPAIN	7	C79	
SWEDEN		C19	23
TOTAL	362	C8494	687

INTRA E.C. UK IMPORTS SLEEPERS TREATED & UNTREATED			
Classifications: 440610.00.0, 440690.00.0			
m3	Dec. 1997	Total 1997	Jan. 1998
FINLAND		53	
FRANCE		2609	133
ITALY		6	
NETHERLANDS		40	
SWEDEN	2284	C10188	
TOTAL	2284	12896	133

Based on Abacus Data Services

News from Brazil

New Protected Areas

The Brazilian President has announced plans to create 25 million hectares of new protected areas in the Amazon rainforest by the year 2000. The area is equivalent to 5.6% of Brazil's total forest area of 441 million hectares. Four protected areas covering nearly 600,000 hectares are being created immediately, two in the Amazon region and two in the Atlantic forest. Brazil's Atlantic coast is host to one of the most threatened forest areas in the world. Today, only 7% of the original Atlantic forest remains.

In making this pledge, the Brazilian government is apparently endorsing a joint WWF/World Bank initiative that aims to establish 50 million hectares of new totally protected forest areas. Half of the international goal of 50 million hectares will be accomplished in Brazil. The cost of establishing Brazil's new protected areas will be between US\$84million and US\$156.5 million over a 5 to 10 year period. Funding is being provided through the World Bank, the Global Environment Facility, the Brazilian Government, and the Rainforest Trust Fund. The joint WWF/World Bank initiative also aims to bring 200 million hectares of production forests under independent certification by the year 2005.

According to the WWF, Brazil is not alone in endorsing their initiative. The WWF lists 22 countries, including Canada, China, Australia, Bolivia, and New Zealand, that are developing similar strategies to totally protect at least 10% of each natural forest type within their national borders. It is worth noting that most national governments are already developing integrated strategies to protect bio-diversity under the terms of the International Convention on Biological Diversity agreed at the Rio "Earth Summit" in 1993. The WWF/World Initiative seems to be designed to support the Convention by promoting awareness of bio-diversity issues and raising funds for forest protection.

An additional 25 million hectares of totally protected forest area in Brazil will triple the area under total protection according to IUCN's categories I and II. This area currently stands at 12.9 million hectares. IUCN categories I and II include only scientific reserves, strict nature reserves, and National Parks designed to protect natural and scenic areas. In addition to these reserves, Brazil has already established 371 Indian Reserves making up more than 100 million hectares, and 13 million hectares of National Forests. There are also reports of a recent presidential decree to turn another 2 million hectares over to National forests. National forests are managed by IBAMA on behalf of the Brazilian public and have been used primarily for pilot projects designed to develop sustainable forest management systems.

The WWF publicity surrounding their joint ini-

tiative with the World Bank notes that "currently only 3.49% of the Brazilian Amazon is strictly protected". However, they omit to mention Brazil's vast tracts of indigenous land and the extensive areas of National Forest.

Brazilian Mahogany

Brazilian mahogany continues to pre-occupy the UK hardwood industry, despite the low volumes now being traded. Environmentalist campaigns levelled against the species continue unabated, most recently focusing on Ministry of Defence use of the species to refurbish the interiors of warships. Following lobbying by Friends of the Earth, the MoD are likely to cease buying the species. The MoD were sympathetic to the views of the Timber Trade Federation, who attempted to persuade them to reconsider. However MoD's desire to avoid negative publicity outweighed trade objections.

The Brazilian government is evidently hoping that their publicity problems over Brazilian mahogany will be dispelled by an inter-governmental meeting arranged in June under the auspices of the Amazon Co-operation Treaty. An international working group has been established to consider the development of a "Blueprint for the Sustainable Development of Swietenia". The UK delegation is being led by DETR (Environment) with input from DIFD (Overseas Development). Trade and environmental groups are invited to attend as observers but should be accredited by the UN.

Brazil is also taking steps to further regulate trade. Brazil has now joined other South American countries in listing Brazilian mahogany under CITES Appendix III. CITES Appendix III includes species which an individual country has placed under domestic controls to prevent over-exploitation and which requires the co-operation of other countries for effective trade monitoring. Unlike CITES Appendix I and II, listing on Appendix III does not require a vote by the parties to the Convention and listings may be made unilaterally. Trade in listed species requires an export permit from the country that placed the species on Appendix III or a certificate of origin from other range states of the species. An import permit is also required from the DETR.

Meanwhile, the UK's Timber Trade Federation is working with the Soil Association on the development of a "log tracking" project for Brazilian mahogany. The aim of the project is to trace IBAMA's documentation trail for a number of Brazilian mahogany shipments back from port of export to forest of origin. By doing so, the project should identify opportunities that may or may not exist for illegal logs to infiltrate UK supply lines. Environmental organisations have been consulted during the

development of the project and have given it their tentative support. The project is due to be undertaken during the next logging season, starting in June, by independent consultants employed by the Soil Association. However the project will only go ahead with the full support of IBAMA.

TTF and Soil Association representatives visited Brazil at the end of April in an attempt to obtain the backing of the Brazilian authorities. A TTF spokesman informed Tropical Timbers that IBAMA are unwilling to make a firm decision until after the Swietenia Working Group meeting in June. IBAMA seem inclined to take the view that Brazil's Appendix III listing of Swietenia, together with the new working group, are sufficient measures to handle the issue. This will disappoint importers that are looking to the project to satisfy environmentalist demands for an effective trade response to their long running anti-mahogany campaigns. UK importers are in the firing-line and will bare the brunt of direct environmentalist action if the project doesn't go ahead.

Amazonia 2000

A Conference on *Amazonia 2000, Development, Environment and Geopolitics* is to be held 24-26 June at the Institute of Latin American Studies at the University of London. The fee is £250 for attendance on all 3 days of the Conference. It includes talks on commercial exploitation in the Amazon, including timber extraction; monitoring deforestation; agro-forestry; forests and the global carbon cycle; and environment and development policy in the region. The event is sponsored by the Brazilian Embassy in London and the World Bank amongst others. Further details can be obtained from Seminar Secretary, ILAS, 31 Tavistock Square, London WC1H 9HA.

Shipping News

Container shipping lines are reporting rapid growth in commercial traffic from Asia to the United States and Europe as importers take advantage of depreciated Asian currencies. Maersk, the Danish shipping company, has reported a 25% increase in containers from Asia than the same period last year. The traffic however is very one-sided, creating difficulties for shipping companies that are struggling to find cargoes to carry on the return journey. The container lines have raised freight rates on containers from Asia in order to offset the costs of running ships half full the other way. Price increases of \$100 a box announced on 1 January this year have been followed up with further increases. Companies under the umbrella of the Far Eastern Freight Conference agreed to implement a rate restoration of US\$150 per 20 foot container, and US\$300 per 40 foot container for Asia-North Europe trade beginning 1 July. Most shipping lines have apparently already increased the charge before the recommended implementation date.

West African trade specialist OT Africa Line (OTAL) has formed a new partnership with European groupage and forwarding specialist Ecu Line, based in Antwerp. Ecu Line provides computer links to over 250 ports in 44 countries. Services include cargo tracking and tracing, managing customers consolidation, storage and warehousing facilities. OTAL have also appointed an IT director with a view to developing inter-active on-line services and automated customer cargo tracking facilities.

FSC Shorts

Moves are afoot to "recertify" the Perum Perhutani plantations on the Indonesian Island of Java. All 2.8 million hectares of these plantations were originally certified by the Rainforest Alliance in 1990 for a period of 5 years. Smartwood, a certifier accredited by the FSC, is now conducting fieldwork which may result in re-certification of specific forest management districts. Perum Perhutani is regarded as a good candidate for FSC certification because it already has a strong "social orientation". The Perum Perhutani plantations are established through a taungya agroforestry system, focusing on reforestation with teak and mahogany. It is uncertain whether this certification has any links with the Indonesian national certification programme, which aims to be operational by 2000.

The two U.S. based FSC-accredited certifiers, SmartWood and Scientific Certification Systems, have announced their intention to implement a voluntary temporary moratorium on FSC-endorsed certification of federal lands in the U.S during the remainder of 1998. They have voluntarily adopted the moratorium in order to ensure that all "concerned parties ...have the time to explore the implications of certification on federal forest lands."

Tiger Economics

Optimism over Malaysian recovery

The response of Indonesia and Malaysia to the Asian financial crises are in stark contrast. The IMF has praised Malaysia's response to the Asian financial crises, and said that recent reforms should lay the basis for a return to rapid growth. An IMF review of the Malaysian economy, produced at the end of April, notes that Malaysia's relatively strong initial conditions allowed it to avoid the most severe effects of the regional crises. Malaysia's long standing prudent approach to external exposure, its relatively well developed regulatory structure for the finance system, and a strengthening of the fiscal position, has meant the Malaysian economy was less vulnerable than other countries in the region.

However, Malaysia's economy have come under considerable pressure during the latter half of 1997 and early 1998. Growth has slowed, financial and foreign exchange markets have been volatile around a generally declining trend, capital investment has declined, and the domestic banking system has come under stress. While contagion from the regional crises has clearly contributed to this trend, the IMF believes that sustained rapid money and credit growth was also a contributing factor.

Malaysia has responded well to the crises. The government has sought to slow credit growth, deferred large infrastructure projects, and fiscal restraint remains a cornerstone of the Malaysian economy. These measures have not yet been sufficient to restore confidence, mainly because markets remain to be convinced of their comprehensive character and consistency. However further economic measures announced on March 25, which build on previous initiatives, should create greater confidence. The centrepiece of these measures is a series of pre-emptive actions to further strengthen the financial sector, linked with measures to tighten monetary policy and improve corporate governance. IMF have stressed the need for the Malaysian Government to avoid bailouts of troubled corporations. They are also encouraging the Malaysian government to scale back price controls so that they apply only to basic food products consumed by the poorest households.

The Malaysian ringgit depreciated by 44% and the stock market fell by almost 50%

between mid-1997 and January 1998. Since then the ringgit has strengthened by about 20% and the stock market has recovered by 9%. GDP growth has slowed to around 7.8% last year from 8.6% in 1996 and 9.5% in 1995.

Meanwhile the Indonesian economic situation remains bleak. The Indonesian authorities own analysis of the situation produced on 10 April does nothing to dispel the gloom: "the economic situation has deteriorated since the beginning of 1998. The depreciation of the rupiah in recent months combined with a severe drought has resulted in a large increase in prices, with the consumer price index rising by 6.9 percent in January and 12.7 percent in February before slowing to 5.5 percent in March. Because of the drought, food prices have risen particularly sharply during the first quarter of the year. The financial position of the domestic banking system has dramatically deteriorated, as the crisis in the economy has deepened.....foreign banks have cut trade and other credit lines to Indonesian banks, and enterprises are having difficulty in obtaining the imported inputs needed for production."

Bad debts

Large Indonesian groups involved in the forestry sector are seeking to come to grips with major debt crises by selling off foreign assets and negotiating loan repayments. Many groups are facing financial difficulties because they have large short term debts in dollars and their domestic sales cannot generate sufficient rupiahs to repay them. The Financial Times reports that Barito Pacific, the major timber and pulp producer, has been forced to negotiate with its lenders to enable the roll-over of part of a \$363.5 million bridging loan that has now come due. Barito borrowed money last year to finance a \$991 million pulp mill. Barito have said they are not planning on delaying construction of the plant despite a major fall in domestic demand for Indonesian pulp. Pulp remains a major export earner for Indonesia. In the long turn however, Indonesian pulp exporters may benefit from the crises being well placed to take advantage of declining local wage costs. Even before the crises, Indonesia was one of the lowest cost pulp producers in the world.

Indonesian fires

The East Kalimantan authorities in Indonesia have stated that the majority of the fires, around 70%, affecting the province are now extinguished. The number of hot spots in the province had been reduced from 360 to 13. This was partly due to heavy rainfalls at the end of April and partly because there was nothing left to burn.

While the worst seems to be over, there continue to be fears throughout South East Asia of a repetition during Indonesia's dry season later this year. A UN report has warned that the fires could be even worse this year. If so, there must be concern that Indonesia's economic problems will limit their response.

At a meeting in Geneva in April, the United Nations said the Indonesian forest fires threatened to become a global disaster. The UN have agreed on an action program to provide equipment and training for 1000 local fire fighters.

In the longer term a broader approach to preventing forest fires will need to be adopted. A report issued by the Los Angeles Times Syndicate has pointed to the need for social policies that include awareness campaigns for farmers with small holdings. For centuries, Indonesia's small farmers have used slash-and-burn techniques to clear their land at the end of each harvest season. There is a widespread belief that these methods enrich the soil and make the land more fertile for the next season.

There will also be a need for tougher regulation of plantation firms. The UN have stressed to the Indonesian authorities to

urgently identify and expose guilty firms to tackle one of the major causes of the problem. According to Financial Times report on 22 April, Klaus Topfer, Executive Director of the UN's Environment Programme, said publication of a company "blacklist" could form part of the action programme to prevent fires in the future. The Financial Times report will disappoint those involved in the Indonesian trade as it referred to a blacklist of "logging" firms, without reference to oil palm plantation companies that use fire to clear forest.

The European Parliament has also taken an interest, adopting an urgent resolution on the fires at the end of April. They placed the blame on the oil palm plantation companies and on the Indonesian Government's development and resettlement projects. Particular reference was made to the Indonesian Government's Mega-Rice project. This is aimed at reclaiming approximately 1.5 million hectares of tropical peat-swamp forest for rice cultivation. Fires have been used as the cheapest way of clearing forest land.

According to a study by the WWF and the Economy and Environmental Programme for Southeast Asia, the haze from the fires last year caused more than US\$1 billion in damage to the region's health, industry and tourism. Malaysia suffered US\$300 million in damage, mainly in lost industrial production and a drop in tourism. Singapore, the other heavily affected country, lost more than US\$360 million. Around 200,000 hectares of forest have been affected.

Publications

The second edition of the "Directory of selected tropical forestry journals and newsletters" has been published by the FAO Regional Office for Asia and the Pacific. The 130 page Directory contains information on 449 publications and a useful list of internet contacts. More is available from: FAO Regional Office for Asia and the Pacific, 39 Phra Atit Road, Bangkok, 10200 Thailand, Fax: 66 2 280 0445

A Ghana country study has been prepared by the Ministry of Lands in co-ordination with the UK International Institute of Environment and Development (IIED) under the title "Falling into Place". It has been compiled by leading players in forestry related matters in Ghana including Johnny Francois, who was for a long time until his retirement, Chief Conservator. The 138 page book has an introduction by E. Kofi Smith, Technical Director, Ministry of Lands and Forestry, Accra. Copies can be obtained from IIED, 3 Endsleigh Street, London WC1H 0DD, United Kingdom, Fax: (44) (0) 171 388 2826 or Faculty of Law, University of Ghana, PO Box 70, Legon, Ghana; Fax (233) 21 502 385.

BRE have published a review entitled "429 Timbers: their natural durability and resistance to preservative treatment" providing guidance on species selection on the basis of natural durability or their amenity to preservative treatment. The review explains the classification of durability and treatability for timber and classifies these properties for more than 150 species. More: Tel: (44) (0) 171 505 6622, Fax: (44) (0) 171 505 6606, email crc@construct.emap.co.uk

Carbon dioxide and tropical forests

Costa Rica has launched a program to raise money for forest conservation by selling companies allowances to emit carbon dioxide. The country has established environmental bonds called Certified Tradable Offsets, with each corresponding to one ton of carbon to be absorbed by the trees. The Credits are designed to be bought by companies in the developed world that are creating excess carbon dioxide through the burning of fossil fuels. Buying the credits would provide industrialised nations with a method of meeting emissions reduction goals set out in the global climate change agreement

reached in Kyoto in Japan at the end of 1997. This is the first scheme to have been implemented in accordance with guidelines developed under the agreement.

The Costa Rican government claims the project could raise over \$300 million. This money will be used by the state to purchase rainforest land in Costa Rica, much of which is currently in private ownership. SGS, the Swiss certification company, were asked to verify the details of the plan and have confirmed that it could remove more than 1 million tons of carbon from the atmosphere.

Exhibitions

The UK's biennial WoodMex Exhibition for the woodworking and sawmilling industries is to be held at the NEC in Birmingham between 15 and 18 November 1998. Further details are available from Woodmex 98, PO Box 106, Coventry CV7 9EA, Tel: 01203 644200, Fax: 01203 644911.

ASFI 98, the Exhibition of the Association of Suppliers to the Furniture Industry, will also be taking place at the NEC between 15 and 18 November. Latest information on the show, including a copy of their Trade Talk brochure, can be obtained from ASFI on 01905 25565, PO Box 302, Worcester WR3 8YR.

European parliament

MEP's and members of various national parliaments are working together to "promote better environmental policies". GLOBE-EU is an all party association of 96 members of the European Parliament. The GLOBE Europe Network includes 198

members of national parliaments from throughout Europe. More information available from Nicolas Tavitian, GLOBE EU, (322) 230 6589 Fax: (322) 230 9530. E-mail ntavitian@arcadis.be.

Around Europe....

European Governments Back Wood Promotion

European Governments are about to endorse the environmental benefits of sustainably managed wood over competing materials. They are also about to publicly announce their willingness to support the promotion of wood products against its competitors.

Two Inter-governmental Resolutions are due to be signed by European Forest Ministers at the Third Ministerial Conference on the Protection of Forests in Europe to be held in Lisbon on 2-4 June. The statements referring to wood products form part of the first Resolution entitled "People, forests and forestry" which covers a broad range of issues relating to the forestry sector's relationship with the public. The relevant statements are as follows:

"...The use of wood and other forest products and services, from sustainable managed forests, should be actively promoted as a means for improving the economic viability of forest management, taking advantage of new market opportunities.....Signatory states and the European Community commit themselves:....to encourage comparative studies of wood and non-wood substitutes, considering their complete life-cycles;....[and] to actively promote the utilisation of products and services from forests under sustainable management, as viable alternatives to competing products using non-renewable natural resources, generating more employment and income...."

The timber industry can only be encouraged by the message conveyed within this Resolution. It is hoped that governments

will follow up the political rhetoric with firm support for promotional and research based activities. The trade faces the challenge of holding European governments to their commitment.

The First Resolution is backed by a second which deals with the thorny issue of defining sustainable forest management on the ground in European forests. A set of "Pan European Operational Level Guidelines for Sustainable Forest Management" have been developed which member countries can adapt, if they wish, to reflect national economic and social conditions. The Guidelines are compatible with the Helsinki "Criteria and Indicators" of sustainable forest management developed earlier to provide a common national reporting framework for monitoring forestry practices throughout Europe. By signing the second Resolution, governments will be committed to distributing the "operational guidelines", or equivalent national standards, to the general public and the forestry sector in Europe. They will also be committed to "encouraging their voluntary use by all interested parties".

The second resolution has implications for the development of timber certification in Europe. The operational guidelines provide a firm foundation for the development of certification standards and systems adapted to European conditions. As the guidelines are pan-European, certification against such standards would avoid trade discrimination within Europe. Broad distribution of the guidelines to the general public would also add to public recognition of associated certification programmes.

European Forest Industry Thriving

Three of Europe's largest forest products groups have announced strong improvements in profits during 1998. Finland's UPM-Kymmene, Europe's largest group, announced pre tax profits of FM1.9 billion (\$349m) for the first quarter of 1998, up from FM1.35 billion for the same period last year. SCA, Sweden's leading producer saw pre tax profits nearly double from Skr894million to SKR1.65billion, while

Modo saw an 86% jump from Skr391m to Skr 729m. These increases are due primarily to recent market developments in the paper and pulp sector, which had a very weak first quarter in 1997 but spent the rest of last year in recovery. Worries that the collapsing demand in Asia could lead to a flood of cheap Asian paper and pulp in Europe have been exaggerated.

UK Certification

The UK's Forestry Commission is overseeing the development of certification procedures for UK forests. It has brought together a wide range of interest groups including forest owners, managers, timber trade and industry, and environmentalists, to develop an "audit protocol" for UK forests. The protocol is essentially a check list of requirements that forest managers will have to comply with if they decide to undergo independent assessment of their forestry practices.

The "audit protocol", or certification standard, has been developed using as reference documents the UK Government's National Forest Standard, and a draft FSC "National" Standard. The latter standard had been developed earlier by an FSC Working Group without input from major forestry, trade or government interests. The audit protocol is a compromise between the two standards which the Forest Authority hope will be broadly acceptable to the wide range of interests.

The Forestry Commission has been pushing to get the protocol completed by May so that they can put it before the FSC Board who are meeting towards the end of the month. The Forestry Commission and UK forest sector currently seem inclined to compromise with the FSC in order to ensure their products can be marketed under an FSC label. They are under particular pressure from UK DIY stores to follow this route.

However, the UK's Timber Trade Federation has expressed their concern that the process is being pushed too hard by the FSC deadline and that the protocol might benefit from more detailed discussion. They have also expressed their concern that more account should be taken of ISO rules and procedures in developing the system. In particular they stress that independent certifiers should be recognised as competent by the United Kingdom Accreditation Service. These latter measures are seen as necessary to ensure the system retains its credibility within industry and to the broader international community.

Indonesia on the brink

continued from page 1

proach. Current reports suggest that export taxes on logs will be reduced to 20% by the end of 1998, and to 10% by the end of 1999. Whether there is real political will to implement these measures, which were announced only a few days before an IMF meeting to discuss further financial aid for Indonesia, remains uncertain. Industry contacts in Indonesia remain very sceptical that Indonesia will be willing to allow the export of unprocessed logs and sawn timber.

The possibility of Indonesia reducing export taxes on primary forest products, has further implications for forest management in the country. There has been a fear that exporters would be encouraged to liquidate their forest assets to sell on the international market to obtain much needed foreign exchange. This threat may have been over-stated. In the short term, there is unlikely to be sufficient international demand to drive the process. The major importers of Indonesian forest products, South Korea and Japan, face severe economic difficulties. Demand for Indonesian plywood in these countries has reduced by 30%. As a result, Indonesia's Minister of Forestry predicts that the countries wood related exports will actually drop by 25% in 1998.

The Indonesian Government has also stressed that, if they do eliminate export taxes, they will be replaced by increased rents and royalties in the forest. These measures are intended to ensure producers pay the full extraction and environmental costs of exploiting Indonesia's forests, while eliminating the bias against production of primary products for export.

Other sweeping reforms in national forest policy have also been proposed with a view to improving Indonesian forestry regulation. Reforms include a reduction in land conversion targets to environmentally sustainable levels, the implementation of a system of performance bonds for forest concessions by the end of 1998, and new mechanisms to allocate funds to reforestation. These measures appear reassuring, as they are meant to. However, the serious economic crises within Indonesia will inevitably reduce the level of priority accorded to forestry issues within the country and may weaken regulatory structures. Indonesia's commitment to ITTO's Objective 2000 may be under threat. These problems come at a particularly bad time for the Indonesian forestry sector, which is already suffering the impact of the worst fires for decades.

SHARE PRICES FOR SOME U.K. COMPANIES

	52 Week High	52 Week Low	05-Jan	02-Feb	02-Mar	01-Apr	26-May
J. Latham	201	168	188	189	189	201	201
Meyer International	451	328	385	332	379	396	430
Travis Perkins	628	436	508	458	558	609	605
Barratt Devs.	329	221	230	242	281	320	326
John Laing	380	309	323	322	315	366	361
Alfred McAlpine	180	112	134	142	151	176	168
J. Mowlem	144	77	88	85	86	123	125
George Wimpey	149	92	105	93	124	126	131
Cornwell Parker	187	146	163	161	181	159	152

EXCHANGE RATES FOR ONE POUND STERLING

		02-Feb	02-Mar	03-Apr	22-May
Australia	Aus.\$	2.3857	2.4169	2.5222	2.5838
Bangladesh	Taka	74.3109	76.2331	76.8558	75.6358
Belgium	Belgian Fr.	61.6396	61.6779	63.2606	59.2180
Belize	B\$	3.2700	3.2930	3.3199	3.2672
Bolivia	Boliviano	8.8127	8.9240	9.0966	9.0011
Botswana	Pula	6.2891	6.2850	6.4596	6.3695
Brazil	Real	1.8363	1.8608	1.8891	1.8813
Fr. Africa*	CFA Fr.	1000.950	1002.600	1027.560	962.750
Chile	Peso	743.926	740.349	754.862	740.919
China	Yuan	13.5354	13.6312	13.7439	13.5256
Denmark	Danish Krone	11.3896	11.3910	11.6934	10.9422
Fiji	Fiji\$	3.0996	3.1848	3.2327	3.2575
France	Franc	10.0095	10.0260	10.2756	9.6275
Germany	D-mark	2.9888	2.9880	3.0664	2.8708
Ghana	Cedi	3744.16	3782.84	3844.45	3785.88
Guyana	Guyanese \$	234.295	237.096	239.531	235.729
Hong Kong	HK\$	12.6525	12.7480	12.8625	12.6563
India	Rupee	63.4707	64.7898	65.5598	66.4222
Indonesia	Rupiah	17167.60	14571.60	14441.60	17888.0
Irish Republic	Punt	1.1937	1.2076	1.2182	1.1410
Italy	Lira	2948.31	2946.33	3024.68	2831.11
Japan	Yen	207.318	208.002	223.662	221.688
Kenya	K. Shilling	98.1002	98.7901	98.8086	103.244
Korea South	Won	2491.74	2688.74	2401.95	2260.09
Liberia	Liberian \$	1.6350	1.6465	1.6600	1.6336
Malaysia	Ringgit	6.8361	6.0509	6.2912	6.1999
Myanmar	Kyat	10.2215	10.2934	10.3775	10.2059
Netherlands	Guilder	3.3679	3.3702	3.4548	3.2353
Nigeria	Naira	35.7836	36.0353	36.3297	35.7530
Papua N G	Kina	2.9118	2.9775	3.2839	3.3649
Philippines	Peso	69.7328	65.6955	65.1531	63.1387
Portugal	Escudo	305.811	305.928	314.063	293.966
Singapore	Singapore \$	2.8073	2.6690	2.7033	2.6718
Solomon Is.	S I \$	7.6484	7.7022	7.7651	7.8362
South Africa	Rand	8.0720	8.1362	8.3695	8.3134
Spain	Peseta	253.417	253.586	260.396	243.937
Taiwan	\$	55.6686	52.8132	54.7294	54.9061
Tanzania	Shilling	1023.61	1060.99	1078.88	1056.86
Thailand	Baht	86.2464	70.9642	68.1411	64.2414
Uganda	New Shilling	1880.25	1885.24	1913.92	1976.66
U.S.A	US \$	1.6350	1.6465	1.6600	1.6336
Venezuala	Bolivar	834.962	851.241	870.852	876.680
Vietnam	Dong	20095.0	21360.0	21544.5	21205.8
Dm.Rp.Congo	Zaire+	224812.4	226393.7	228243.0	217268.8
Zimbabwe	\$	27.7953	26.6734	26.7806	29.8949

*Cameroon, CAR, Congo, Gabon & Cote d'Ivoire

+ Currency is scheduled to change from Zaires to Congolese francs

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