

# TROPICAL TIMBERS

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## Asian economies bottom out?

**One year on from the start of the Asian financial crises, which has spread to other emerging economies, and still threatens to plunge even the United States into recession, there appear to be faint indications that the worst may have passed for the economies of South East Asia. While the depth of the continuing recession cannot be denied, there are glimmers of hope.**

A pessimistic view of the Asian economies would be that the situation is now so bad that it simply can't get any worse. Certainly statistics emerging for the first half of 1998 hardly provide grounds for optimism. Figures from Japan, traditionally the largest tropical hardwood market, paint a vivid picture of an economy in steep decline. Housing starts in July fell for the 19th consecutive month, and total starts for the first half of 1998 were down 14% compared with the same period in 1997. South Sea log imports were down 27% during the first half of 1998, compared with the same period last year. The combined domestic and foreign supply of plywood to Japan fell by 32.5% in the first half of the year. Figures from Korea, the second largest market for tropical hardwoods, are equally discouraging. The country's import of hardwood logs from Sarawak, Papua New Guinea and Solomon Islands in the first half of the year stands at only 51% of the same period in 1997. But despite these figures, there are early signs that the bottom of the market may now have been passed. One indication comes from increases in prices for SE Asian forest products. For example, Meranti log prices into Japan have risen from US\$115 to US\$120 and some shippers are quoting US\$125. Plywood prices which fell to below INDO96 less 30 and lower during late August and early September, have improved to stand at around INDO96 less 25/27. ITTO's Market News report suggests that plywood prices in Korea are expected to increase in the short term by about 5%-10%. While there is little doubt these price increases have been due primarily to supply side difficulties than any

underlying improvement in demand, there are at least some grounds for being cautiously optimistic about demand.

Reasons for optimism are emerging from developments in financial markets, as panic has subsided and there are encouraging indications that national governments are at last taking steps to handle some of the more intractable problems. Interest rates have fallen sharply in many Asian countries over recent weeks. In Malaysia they now stand at only 7%, although this is partly explained by currency controls that have insulated the country from international markets. Probably more significant is the fall in South Korea's rates from over 15% in July, to 8.6% today, and the fall in Thailand's rates from 22% to 9.2%. Falling interest rates should help to ease the liquidity crises that has affected all the sectors of the economy.

Another positive sign, is that despite falls in interest rates, currencies in the region have stabilised and, to some extent, strengthened against the US\$ and the Japanese yen. Strengthening exchange rates in the region ease fears of a devaluation of the Chinese yuan, and reduce dollar debts in local currency terms. A dearer yen also helps those economies in the region that compete head on with Japanese producers. Policy developments in the region have also been encouraging. The Japanese parliament has finally approved a plan to inject Yen 60 trillion, around 12% of the nation's GDP into the nation's banking system. Despite uncertainties over how the money will be used, this has served to raise hopes of a revival in Japan. Such a revival would be the surest way of ensuring a long term firming trend in prices for tropical hardwood products.

Korea's President Kim seems committed to pushing through much needed reforms of the country's banking system, and has recently announced increased spending in this area. It has already closed several banks and intends to nationalise six of the biggest and most troubled institutions. The Korean government is also intent on increasing spending on infrastructure development project which should help

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## Ghana targets green market

**Ghana has initiated the development of a certification framework that should guarantee continued access to even the most environmentally demanding markets.** Successful implementation of the scheme may also provide a model for the future development of certification in other African countries. The scheme, which is being developed without formal links with the FSC, demonstrates the advantages of countries working independently to develop certification frameworks in accordance with national needs.

Ghana's Timber Export Development Board invited a wide range of organisations, both from Ghana and major consumer countries, to attend an international workshop in Kumasi in mid October to discuss a set of draft Certification Standards. The standards are due to be pilot tested in Ghana later in the year. Three draft standard documents have been released setting out requirements for the "Quality Management of Ghana's Forests" including a Specifications Document; a set of Criteria and Indicators; and a Principles Document.

Ghana's forest certification scheme is intended both to strengthen the nation's drive towards sustainable forest management, and to form an

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### STATISTICS IN THIS ISSUE

#### U.K. IMPORTS

logs, sawn, plywood, veneers  
sleepers, blockboard

Outside E.C.

June & July 1998

Intra E.C.

May & June 1998

#### GERMANY IMPORTS

Logs & sawn

Year 1996 & 1997

- Tropical Timbers, editor: Rupert Oliver
- Market and Environmental Information for the Forest Products Industry

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**Asian economies bottom out - Continued from page 1**

stimulate demand.

Domestic demand in Malaysia may also receive a boost following on from recent government measures. With capital controls now firmly in place, Malaysia is continuing its expansionary policies. Government spending has already been raised nearly 20 percent for 1998. New expansionary measures were introduced in the 1999 budget presented to Parliament on Oct. 23rd. Infra-structure development was given priority to provide a boost to the country's ailing construction and development conglomerates. The initial results of a Federation of Malaysian Manufacturers (FMM) survey suggests that manufacturers and their customers are benefitting from currency controls. According to the FMM, the currency controls have encouraged customers to seek long-term commitments and reduced the need for businesses to hedge against future purchases. And then there is China, a country likely to provide particular opportunities for the forest products sector. Government plans to increase investment in construction will tend to drive up demand for forest products. The increased demand will come at a time of significant reduction in Chinese timber harvests following the introduction on 1 July of the government's policy "To protect the resources of state-owned natural forest by reducing the harvest." More recently, the central government banned logging in natural forest on the upper reaches of the Yangtze river following flooding which was widely blamed on the loss of tree cover in the region. Falling harvests in China imply greater opportunities for exporters to the country. Prices for plywood and logs into China recently received a boost as a result of a government anti-smuggling campaign. Plywood smuggling had served to depress domestic log and plywood prices. The new controls have made smuggling into South China extremely difficult, allowing domestic plywood producers to return to the market, boosting demand for imported logs. Chinese government policy to expand the role of the private sector in the country's timber trade may provide other opportunities. Private enterprise has for a long time played a role in the country's domestic timber market, but until recently was limited in the importing sector.

**Sabah resists timber imports**

The State Government of Sabah is resisting efforts by Malaysia's Federal government to allow the import of logs and sawn timber. The Federal Government announced the lifting of Malaysia's ban on the import of timber and sawn timber in June to overcome a shortage of raw materials. Other Malaysian states are now importing timber from Indonesia, PNG, New Zealand, Gabon, South Africa and Cameroon. While all Malaysian states are facing a short falls in timber supply, the shortages are particularly pronounced in Sabah. Dr Lim, the Primary Industries Minister, recently commented on the situation in Sabah in Malaysia's national press. According to Dr Lim, Sabah faces a shortage of three million cu

Timber imports have generally been controlled by state companies, or by large joint venture enterprises which bought timber on the international market for their own operations. At present the importer/wholesaler sector is poorly developed. However as the government relaxes its policy to increase foreign trade and extend the role of the private sector, it is projected that this sector will develop. Of course, none of this will prevent huge dislocation within the region's forest products sector this year. The Economist magazine's poll of emerging market forecasters suggests that overall GDP is expected to fall in 1998 by 8.2% in Thailand, 15.9% in Indonesia, and 6.9% in Korea. Bankruptcies in the region will continue, and for many the difficult times aren't about to end. ITTO's Market News Service reported at the beginning of October that seven plywood companies in Japan have either filed for bankruptcy, ceased business voluntarily, or closed their plywood factories. According to the Indonesian Forestry Agency, almost half of the country's timber companies may cease operations due to the growing uncertainty in their business.

It would be wrong to under-estimate the scale of challenge to be faced by the Asian economies. Major structural weaknesses are still evident. Exports are not proving as strong an engine of growth in the region as many had predicted. Exports from Indonesia, Thailand and Korea still remain flat in US dollar terms due to weak overseas markets and intense price competition. The crisis-hit Asian economies have only just begun the painful process of re-structuring banks and companies. Back-sliding is still possible. The huge problem of corporate debt remains and this will constrain the new investment needed for a return to growth. Many Asian economies continue to be cut off almost entirely from sources of international finance. And while pressure to devalue the yuan seems to have eased, a period of weak growth in China is a very real, and worrying, prospect.

No-one should doubt that Asia's recovery will be a long hard slog. But at least, for the first time in many weeks, there are reasons to be less despairing about the future.

m of timber annually. The state is capable of producing between 6 and 7 million m<sup>3</sup>, while processing capacity totals 10 million m<sup>3</sup>. Lim said that although several sawmillers in Sabah have been given permission to import timber, the state government had refused to allow the Forestry Department to conduct checks on the timber to impose the import tax, effectively preventing entry into the state. Malaysia's federal Government lifted the ban after the Indonesian Government lowered its taxes on the export of logs. The import ban was imposed in January last year in a move to curb widespread smuggling of Indonesian timber into Malaysia.

**Ghana - Continued from page 1**

important element of the industry's marketing strategy. The scheme has been drawn up by a National Committee facilitated by government with broad representation from industry, social and community groups, and environmental organisations.

The draft certification standards encompass detailed performance requirements which have been developed broadly in line FSC Principles and Criteria. As such they establish minimum requirements for, amongst other things, conservation of bio-diversity, eco-system productivity; protection of soil and water; the preservation of the rights of workers and local communities; and the maintenance of timber yield and revenue generation.

The difficulties of producers in the developing world meeting western expectations of "good" forest management has occasionally been cited as a weakness of emerging certification schemes. The Ghanaian standard seeks to avoid this problem by stating that the performance elements are "targets which the Forest Management Organisation (FMO) is required to attain over a period of time (gradual improvement)". This means that FMOs may not have to demonstrate complete compliance with all performance elements of the standard to receive certification. However they will have to show that they are moving towards these "targets" through the implementation of a documented Quality Forest Management System. This system follows very closely the requirements of ISO14001, the environmental management systems standard.

Institutional arrangements for the scheme have yet to be finalised. It is clear that the scheme will involve independent third party auditing, but little information is provided on the accreditation process to assess auditors for professional competence. The draft standard states only that auditors will be accredited by a "credible local or international organisation". This suggests that accreditation will be carried out initially by Ghana's existing national standards institutions, although the door is left open for possible involvement of FSC accredited certifiers at a later date. Alternatively the scheme may be marketed under bilateral arrangements with major importing countries. For example, the Dutch trademarking organisation, Keur Hout, has already held discussions on the labeling and marketing of certified Ghanaian timber products in Holland.

**Forests Forever "Timber and the Environment"**

Forests Forever, the UK Timber Trade Federation's environmental campaign, has released a new "Timber and the Environment" brochure targeted at specifiers. It stresses the need to compare building materials on a full life cycle basis and considers the major forest conservation implications of using wood. For a copy of the new publication contact Forests Forever (44) (0) 171 8391891.

## 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

	Aug	Sept	Oct
<b>Ex Cameroon Fr.F/m3 FOB Douala LM</b>			
<b>N°GOLLON</b>			
70cm+20% 60/69	1350	1350	1350
<b>BOSSE 60cm+</b>	1550	1550	1550
<b>AYOUS 70cm+</b>	1000	1000	1000
<b>BIBOLO 60cm+</b>	1375	1375	1375
<b>SAPELE</b>			
80cm+20% 70/79	1650	1650	1650
<b>SIPO</b>			
80cm+20% 70/79	1900	1900	1900
<b>IROKO</b>			
80cm+20% 70/79	1650	1650	1650

	Aug	Sept	Oct
<b>Ex Gabon Fr.F/m3 FOB Owendo LM</b>			
<b>ACAJOU</b>			
70cm+20% 60/69	1175	1175	1175
<b>DIBETOU 60cm+</b>	1175	1175	1175
<b>DOUKA</b>			
70cm+15% 60/69	1150	1150	1150
<b>SIPO</b>			
70-79cm10%/60/69	1700	1700	1700
80-99cm	1900	1900	1900

## Sawn Timber

	Aug	Sept	Oct
<b>Ex Ghana DM/m3 FOB Takoradi</b>			
FAS (includes notional agent's commission of 5%)			
6"+ avg 9" C/£	3813	3968	3935
6" + avg 9" DM/£	2.91	2.86	2.77
<b>A.MAHOGANY AD</b>	975	995	995
<b>A.MAHOGANY KD</b>	1115	1135	1135
<b>EMERI AD</b>	760	760	760
<b>UTILE KD</b>	1340	1365	1365
<b>ODUM AD</b>	995	1030	1030
<b>ODUM KD</b>	1205	1240	1240
<b>SAPELE KD</b>	1155	1155	1155
<b>EDINAM AD</b>	860	860	860
<b>EDINAM KD</b>	1020	1020	1020
<b>WALNUT AD</b>	705	705	705
<b>NIANGON AD</b>	895	895	895
<b>DANTA AD</b>	680	680	680
<b>DANTA KD</b>	945	945	945
<b>WAWA AD</b>	505	505	505
<b>WAWA KD</b>	565	565	565
<b>MAKORE AD</b>	790	790	790
<b>MAKORE KD</b>	1100	1100	1100

	Aug	Sept	Oct
<b>Ex Cameroon Fr.F/m3 FOB</b>			
FAS width 6"+, length 6'+			
<b>SAPELE</b>	3075	3050	3050
<b>SIPO</b>	3450	3500	3550
<b>BIBILO</b>	2850	2800	2850
<b>N°GOLLON</b>	3150	3200	3200
<b>AFRORMOSIA</b>	3600	3550	3550
<b>IROKO</b>	3400	3400	3400

	Aug	Sept	Oct
<b>Ex Gabon FR.F/m3 FOB</b>			
FAS width 6"+, length 6'+			
<b>OKOUME AD</b>	2000	2000	2000

	Aug	Sept	Oct
<b>Ex Zaire Fr.F/m3 FOB (currently unavailable)</b>			
FAS width 6"+, length 6'+			
<b>SAPELE</b>	na	na	na
<b>SIPO</b>	na	na	na
<b>MAHOGANY</b>	na	na	na
<b>AFRORMOSIA</b>	na	na	na
<b>IROKO</b>	na	na	na

	Aug	Sept	Oct
<b>Ex Cote d'Ivoire Fr.F/m3</b>			
Fr.F/£	9.77	9.60	9.28
FOB Abidjan FAS			
6"+ avg 9"-10"			
6"+ avg 10"-11"			
1"-2"			
<b>IROKO</b>	3350	3375	3350
<b>SIPO</b>	3400	3400	3500
<b>MAHOGANY</b>	2800	2800	2800
<b>FRAMIRE</b>	2000	2000	2000
<b>SAMBA No.1 C&amp;S</b>	1550	1575	1550
<b>AZOBE dim. stock</b>	2000/	2000/	2100/
	2600	2600	2700
<b>OPEPE dim. stock</b>	1850/	1850/	1850/
	2450	2450	2450

	Aug	Sept	Oct
<b>Ex Malaysia US\$/ton, C&amp;F UK port</b>			
MS/£	6.80	6.48	6.43
US/£	1.62	1.71	1.69
MS/US\$	4.19	3.80	3.80
<b>DARK RED SERAYA/MERANTI</b>			
Select & better GMS			
width 6"+ avg 7"/8"			
length 8'+ avg 12'/14'			
1-2" KD	655	720	730
2.5" KD	680	745	755
3" KD	690	765	770

	Aug	Sept	Oct
<b>KERUING</b>			
Standard & Better GMS			
1"-3"			
width: random or fixed			
length 16'+	420	460	460
<b>KAPUR</b>			
Standard & Better GMS			
1"-3" plnd			
width 6"+ avg 7"-8"			
length 16'+	435	475	475

	Aug	Sept	Oct
<b>TEAK (Official price list basis)</b>			
FEQ/equivalent			
Boards: 6"+ avg 8", 6'+ avg 8"			
Shorts: 6"+, 3'/5.5' avg 4'			
Ex. <b>Burma</b> 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".			

	Aug	Sept	Oct
<b>Ex Brazil US\$/m3 C&amp;F</b>			
FAS US\$/£	1.62	1.71	1.69
6"+ avg 9-10"			
6"+ avg 10-11"			
<b>MAHOGANY (Swietenia)</b>			
1"-2" AD	1130	1100	1100
2.5"-3" AD	1150	1120	1120
1"-2" KD	1220	1190	1190
2.5"-3" KD	1240	1210	1210
<b>VIROLA</b>			
1" KD No.1 C&B			
boards	400	400	400
strips	370	370	370
<b>CEDRO</b>			
1"-1.5" KD	730	700	700
2" KD	760	700	700
2.5"-3" KD	790	750	750

## Hardwood Markets

Patchy evidence is emerging of increased activity in the UK hardwood market during October, following a very quiet summer and slow pickup in September. Some agents are reporting increased levels of enquiries, particularly during the last two weeks of October, but volumes involved are generally low. There seems to be a certain amount of restocking going on as importers, who have been buying short for some time, may now judge that prices for Asian hardwoods are on a firming trend. However, importers are reporting that there is little evidence of any pickup in underlying demand during the autumn. There continues to be considerable nervousness about the longer term prospects for the UK economy. The quarter percent cut in interest rates announced in early October has been widely portrayed in the media as too little too late to halt the onset of a recession during 1999.

Certainly the statistical evidence is not encouraging. To take one example, the index of construction activity compiled by economic researcher NTC indicates an overall decline in September, the first in its 18 month history. On a brighter note, some more positive stories have begun to appear in the national media about the longer term prospects for future recovery in other areas of the world, a response to strengthening Asian currencies and the recent US decision to cut interest rates. This may serve to ease fears of an imminent global economic crisis.

Fears of a recession on the continent are growing, particularly in France and Germany where there are particular fears of cheap Asian imports soaking up domestic and export demand. German banks are also suffering from their over exposure to the rickety Russian economy. These fears are reflected in reports of continuing sluggish activity in most continental hardwood markets, with the possible exceptions of Ireland and Spain.

The future development of the tropical hardwood market is very finely balanced. Demand is weak, while supply is also becoming increasingly tight in both the Far East and Africa. Longer term price trends could go either way - any increase in supply without a corresponding increase in demand would lead to further falls in prices, while any increase demand would rapidly lead to shortages and rising prices.

## Asian hardwoods

Prices for DRM/Seyara seem at last to be edging upwards. The first signs of tightening supply are becoming evident due to the heavy rains in the Far East and the continuing unwillingness of loggers to extract when there is no ready market for the lower grades and lesser known species. Another contributing factors has been the recent strengthening of Far Eastern currencies against the US\$. The strengthening yen has encouraged some increased buying of Asian logs by Japanese importers, although some observers believe this may only be a temporary phenomenon. Malaysia's policy of setting the value

of the ringgit at 3.8 to the US dollar led to a 10% increase in prices during September. Most recently the value of Indonesia's rupiah has seen a period of solid growth, now standing at around 13,800 to one pound sterling, compared with 18,300 at the end of September, and a low of 24,000 in July.

Continuing shortages of containers, due to the imbalance of trade caused by a lack of imports into the region, led to a further increase of US\$300 for a 40 foot container on 1 October. A similar increase is anticipated at the beginning of November. Freight rates from the Far East to Europe are now 60% higher than at the start of the year. However freight rate increases for containers have not yet encouraged any significant shift back to bulk shipping.

In the UK, agents are suggesting that increasing volumes of DRM are being bought by customers who previously bought Sapele, although the price differential between the two species has at last begun to narrow. There are also signs that French importers, many of whom have remained wary of purchasing Asian hardwoods after being badly burned by rapid price increases in the early 1990s, have also begun to buy increasing volumes of Asian species.

Some Asian species are in particular short supply at the present time. For example, volumes of yellow balau are very difficult to obtain. This species has never been significant in the UK, but lack of supply is creating difficulties for Dutch importers. Holland has traditionally been more heavily dependent on Far Eastern supplies than other European countries owing to their demand for sawn wood in very specific sizes. Large Far Eastern mills have tended to be better able to supply to Dutch specifications than smaller producers in Africa and South America. The rapid increase in the value of Indonesia's rupiah has had particular implications for German importers. Window manufacturers in Germany have been more willing than those in the UK to adopt new products. The market for Indonesian glulam for window manufacture in Germany is now significant. With the strengthening rupiah, Indonesian glulam manufacturers are refusing to ship their product unless buyers accept price increases of more than 20%. The price increases are currently being disputed by German importers who argue that they are locked into contracts at the previous price and cannot pay at the new rates.

There are reports from Indonesia that around 40 timber companies have applied to the Ministry of Forestry and Plantations for licenses to export logs. Indonesian loggers are claiming that they can no longer afford to supply domestic plywood mills when overseas importers are willing to pay considerably more. The companies concerned applied for a total of around 1.6 million Cu.m of logs to be exported. To-date, 12 companies have been granted licenses to export 600,000 Cu.m of logs. India is reported to be a major buyer. Most observers see the move by Indonesia to export unprocessed products as a temporary measure to tide the loggers through a period of extreme weakness

in domestic demand. ITTO's Market News Service notes Far Eastern log importers appear unwilling to switch to suppliers from Indonesia as they worry about the continuity of supply. Indonesia's domestic processing capacity already exceeds the ability of the nation's forests to supply wood raw material. This implies that there will be strong pressure from within the Indonesian industry to ensure logs are retained for domestic processing.

### African hardwoods

Log supply in many areas of West and Central Africa remains tight as the rainy season nears its end and the roads have deteriorated into a poor state of repair. Supply difficulties are being intensified by a transport strike in the Cameroon. The strike stems from conditions placed on log transport by the European Union as a condition of their funding of a road rehabilitation project. The EU has stipulated that trucks using the roads should carry only a maximum of 56 tonnes, in effect reducing maximum loads for timber to around 30 m<sup>3</sup> from previous levels of 50 m<sup>3</sup>. The strikers are objecting to the decision by the authorities to impose fines on operators for overloading trucks last year. The strike is disrupting supplies for shipment from Douala from Cameroon, Congo and the Central African Republic. Few logs are currently coming up to the mills, which means that supplies of dry timber for January/February shipment will be disrupted. The new regulations will also have a long term impact by increasing transport costs in the region.

Log shortages are also affecting Ghana and Ivory Coast, both of which are characterised by over capacity in the industry. However weak demand has meant that there has been little upward pressure on prices.

Sapele prices have remained fairly static for two or three months, but agents are now reporting weakening demand for the species as some buyers have turned to low priced DRM and as fears of an economic downturn have grown in many European markets.

Demand for Wawa/Samba is currently weak. Supply side difficulties for Iroko, which had been contributing to higher prices, have now eased. Air dried iroko is now relatively easy to come by from the Ivory Coast.

Ghana continues its efforts to push Lesser Known Species and to exploit high value "green" markets in Europe. Most recently it released a draft set of certification standards for review which will provide the basis for a third party auditing system.

Gabon's timber industry, which exports 96% of its forestry production in logs, primarily of okoume, has been hit particularly hard by the Asian economic crises. Around 60% of logs exports went to Asia in 1997, principally to China and Japan. Financial problems created by weak markets has meant that SNBG, the government agency which has a monopoly over the buying and selling of logs in Gabon, has not been paying producers. Recently there has been talk of abandoning SNPG control over the export

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

	Aug	Sept	Oct
\$/£	1.62	1.71	1.69
<b>RED OAK</b>			
1"	1850	1850	1850
1.25"	1950	1950	1950
1.5"	2030	2030	2030
2"	2280	2280	2280
<b>WHITE OAK</b>			
1"	1675	1675	1675
1.25"	1730	1730	1730
1.5"	2100	2100	2100
2"	2670	2670	2670
<b>ASH</b>			
1"	1230	1230	1215
2"	1560	1560	1545
<b>TULIPWOOD</b>			
1"	1080	1080	1080
1.25"	1100	1100	1100
1.5"	1160	1160	1160
2"	1250	1250	1250
<b>CHERRY</b>			
1"	3350	3350	3350
1.25"	3350	3350	3350
1.5"	3400	3400	3400
2"	3550	3550	3550
<b>HARD MAPLE</b>			
1"	1975	1975	2020
1.25"	2170	2170	2265
1.5"	2275	2275	2275
2"	2390	2390	2420

of logs to certain destinations.

### South American hardwoods

Supply of tropical hardwood is not a problem in Brazil. The dry season in the north is allowing sufficient volumes of logs and timber products onto the market. The problem is one of extremely weak demand both at home and overseas.

Prices for Brazilian mahogany continue to be propped up by demand from the US, where 90% of the volume imported is used in the furniture sector. However, ITTO's Market News Service suggests US importers are losing interest in Brazilian mahogany and are turning to other countries. So far this is not affecting prices but volumes exported to US are declining. US importers are apparently becoming increasingly interested in Peru as a source of hardwoods.

The UK market for Brazilian mahogany, where the species has traditionally been used in the joinery sector, is now extremely limited due to the high price of the species and, to a lesser extent, negative environmental publicity campaigns. Reports suggest that as little as 2000 m<sup>3</sup> of Brazilian mahogany have been shipped from Belem to the UK in the last 8 months. Many UK importers would prefer continuing high prices for the species as they wish to avoid devaluation of existing stocks. The UK market for Cedro is now extremely weak as the species is unable to compete on price with DRM.

President Cardoso's victory in the October

elections indicates that Brazil's policy of tying the real to the dollar will be maintained, suggesting continuing relatively high prices for Brazilian products on international markets. On the other hand, there continue to be fears that the rapid flight of capital from Brazil in recent months will force the country to devalue irrespective of current government policy.

There are reports of problems over timber export quotas from Brazil. Some shippers have seen their export quotas expire two months early as large volumes of lower grade material, formerly absorbed by domestic markets, have been shipped out to the Caribbean as a result of weak demand at home. IBAMA is currently considering the allocation of quotas.

ITTO's Market News Service reports that an important Brazilian newspaper published an article outlining plans to abolish IBAMA and create a Forest Agency. The article suggests many of IBAMA's responsibilities would be transferred to the States. The new Agency would be responsible for National Parks, National Forest and other national protected areas and would focus more on development and promotion issues. Policy issues would be left to the Ministry of Environment.

Guyana continues to feel the impact of the South East Asian crisis, with export markets depressed and with a resulting increase in the supply of timber to the already depressed domestic market, as exporters switch from export to domestic markets. More recently, a cause for concern is the increasingly depressed market in North America, which is a major market for Guyana's plywood (in 1997, 69% of plywood exports went to North America).

Reports from Guyana's Forest Products Association (FPA) suggest the forest industry is in a very weak position owing to continuing weak demand in Asia and domestic markets. FPA has asked the government to assist the industry cope with the crisis. Amongst other things, FPA have requested the government review exchange rate mechanisms and consider financing kiln drying facilities.

### North American hardwoods

Business confidence in the US has been dented over the last few weeks following the release of data suggesting the economy is slowing down, evidence of increased volatility in the stock market, and worrying media reports of economic problems elsewhere, notably South America. According to the Financial Times of October 26, executives around the country are "mapping a path through what they expect to be a troubled period. [The] new mood of caution makes it inevitable that a slowdown will come, though the severity of the dip is unclear".

On a more positive note, some comfort has been drawn from the Federal Reserve's decision to drop interest rates, and the bounce in the stock market that this move created. The US economy remains strong. Current expectations are that housing starts will be down only slightly in 1999 from the very high levels of this year.

However US producers are beginning to feel the

pinch both at home and abroad. There are early signs that the new mood of caution is affecting domestic markets, although the continuing strength of the US economy has so far prevented any major downward adjustment in price. Manufacturers concerned that consumer spending may be on a downward trend, are delaying decisions to buy, allowing their suppliers to carry inventory for them. Buyers realise that there is over-production for many species and grades, further encouraging them to buy only when necessary. Export markets are also slow and highly competitive.

White Oak markets in the UK have remained level. Hardwood Review Export reports that sales of this species both in the US and other export markets are "far from robust", although shipments to Europe continue with intense price competition. US export statistics indicate the continuing importance of this species to the European market. In the first half of 1998 White Oak accounted for nearly 50% of all US lumber exports to the EU. The species has a broad range

of applications including joinery, mouldings, doors, frames, flooring, and some furniture.

Red oak prices to the UK have remained static over the last month. There are reports that quantities of top quality Red Oak are being produced at the present time and some mills are building up excess inventories. Nevertheless there continues to be strong domestic demand for the species which should keep prices level. UK markets for Hard Maple remain weak and there has been downward pressure on prices, particularly for 1". However production of this species is at its seasonal low and supplies in the US are more limited, moderating price declines. European Beech remains a major competing species for Hard Maple in many US export markets.

UK demand for Ash is slow and prices have weakened for all sizes. Demand in other European markets for this once popular species is now limited. The species remains readily available in the US despite limited production due to current low pricing.

## Media gloom heightens risk of recession

Amid mounting fears of recession in the UK during 1999, the Bank of England's monetary policy committee reduced interest rates to 7.25 per cent in early October. The UK Treasury has downgraded its growth forecasts for the UK economy from up to 2.25 per cent to 1 per cent. Similarly in its twice-annual World Economic Outlook, the IMF predicted that economic growth in the UK would slow from 2.3 per cent this year to 1.2 per cent in 1999, the slowest rate of any leading industrial country except Japan. IMF officials believe privately that their growth forecast implies a 30 per cent or so chance that the UK will enter a recession over the next couple of years. The fund forecasts that unemployment will rise modestly from 4.8 per cent of the workforce this year to 4.9 per cent in 1999.

Two surveys of business opinion published in mid October, from the Institute of Directors and the British Chambers of Commerce, suggest that business confidence has fallen markedly. The survey of IoD members in the 3 months to September found that optimists out-numbered pessimist by just 2%, down from 19% in the last quarter. The BCC survey confirms the difficulties faced by manufacturers and suggests the services sector is slowing down rapidly. BCC and IoD are pushing for further cuts in interest rates.

Meanwhile other commentators are

challenging predictions of a recession. They suggest that reports of an impending slump tend to be exaggerated and point out that media "doom and gloom" stories are themselves a major factor undermining business and consumer confidence. An independent survey of 600 businessmen, carried out by Energis and reported in the Sunday Telegraph, suggests a more favourable outlook. It finds that two thirds of UK companies are forecasting an increase in sales over the next 12 months, with just 7% forecasting a fall in orders. Recently released data also reveals that mortgage lending and consumer credit have increased considerably over the last year, undermining claims of falling consumer confidence.

The UK government has announced that its pledge of a £40bn (\$68bn) spending increase on health and education would not be affected by predictions of a slowing economy next year. The implication is that government borrowing is likely to rise. The government believes the injection of demand generated by increased government spending will in itself boost the economy. The UK government's support for public investment echoes similar views in Europe where predominantly left-wing governments are calling for a co-ordinated effort to boost jobs and growth.

## Meyer International join WWF buyers group

Meyer International announced in October that it is joining the WWF 95 Plus Group. According to the WWF announcement, member companies of the group are committed to purchasing wood products only from well managed forests and supporting the work of the Forestry Stewardship Council. WWF claim that the volume of wood purchased by members of the WWF 1995+ Group is equivalent to about 15% of the total wood use in the UK, and that Meyer's decision to join the group increases

this share to 20%. Meyer state that their target is ensure that 80% of their timber is FSC certified within 5 years. Meyer International is the largest timber and building materials merchant in the UK and Holland and a leading distributor of laminate and specialist timber products in the UK and North America. Company turnover in 1997 was 1.139.7 million. Meyer is the owner of Jewsons, a network of over 392 builders merchants, and of hardwood importers International Timber.

## 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	June 1998	July 1998	Cum. 1998
BOLIVIA			447
BRAZIL	1550	861	8373
BURMA			77
CAMEROON	2157	1972	11040
CONGO		139	139
COSTA RICA			13
ECUADOR		11	18
GABON	54		128
GHANA	1693	3063	16193
GUYANA	347		4893
HONDURAS	28		28
INDIA	1	7	41
INDONESIA	282	398	1984
IVORY COAST	1644	1706	9798
MALAYSIA	5759	4734	32503
MEXICO			11
NIGERIA		94	242
PAPUA N.G.	63	25	190
PERU		27	49
PHILIPPINES	23	23	394
SINGAPORE	69	442	1300
SOL. ISLANDS			16
TANZANIA	58		148
THAILAND			188
TRIN. & TOB.			30
ZAIRE		46	322
TOTAL	13728	13548	88565

### UK IMPORTS SLEEPERS

Treated & Untreated

Classifications: 440610.00.0, 440690.00.0

m3	June 1998	July 1998	Cum. 1998
AUSTRALIA	783	620	4457
CZECH REP.			33
POLAND			18
RUSSIA			50
SLOVAKIA			4
TOTAL	783	620	4562

### 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	June 1998	July 1998	Cum. 1998
BURMA			30
CAMEROON	4962	2275	20558
CONGO			239
ECUADOR			27
EQ. GUINEA			157
GABON	614	445	3342
INDONESIA	56	38	128
IVORY COAST		99	99
LIBERIA			240
MALAYSIA	897	189	1620
MOZAMBIQUE			24
NIGERIA	14	184	593
PAPUA N.G.			87
SINGAPORE	50		130
TANZANIA			10
TOTAL	6593	3230	27284

### 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	June 1998	July 1998	Cum. 1998
<b>BEECH</b>			
CANADA			7
ROMANIA	68	27	300
SERB. & MONT.	30		30
<b>BIRCH</b>			
CANADA	107		324
ESTONIA	1299	415	8943
LATVIA	355	211	1544
LITHUANIA			34
POLAND	23	73	454
RUSSIA			436
<b>OAK</b>			
CZECH REP.			1
RUSSIA			103
<b>POPLAR</b>			
CZECH REP.		19	19
USA			39
<b>OTHER</b>			
AUSTRALIA	1	33	80
CANADA	30	166	1136
CZECH REP.			14
ESTONIA*	2698	2270	20045
LATVIA*	5844	6080	36845
LITHUANIA			173
NORWAY			172
POLAND	20	53	293
RUSSIA		63	1224
S. AFRICA		25	99
USA	957	1418	8546
TOTAL	11432	10853	80861

\*May contain softwood

### UK IMPORTS SAWN TEMPERATE

Classifications: 440791.90.0, 440792.90.0, 440799.91.0, 440799.93.0, 440799.98.0

m3	June 1998	July 1998	Cum. 1998
<b>BEECH</b>			
CANADA		21	119
JAPAN		11	11
POLAND			37
ROMANIA	53	28	470
RUSSIA			55
SERB. & MONT.	23	15	95
SLOVAKIA	21		45
USA			107
<b>OAK</b>			
CANADA	590	574	3557
CZECH REP.			8
ESTONIA	377	141	518
HONDURAS			28
LITHUANIA	140	56	196
RUSSIA	22		151
SERB. & MONT.			22
SLOVAKIA	4	39	255
UKRAINE		78	256
USA	4939	4188	36661
<b>POPLAR</b>			
CANADA	30	143	273
LATVIA		363	562
LITHUANIA		39	39
RUSSIA	56		56
USA	802	939	4989
<b>WALNUT</b>			
CANADA	53	31	351
USA	173	74	772
<b>OTHER</b>			
AUSTRALIA	16		300
CANADA	1059	1333	8130
CHILE			167
CHINA	30		75
ESTONIA*	1358	869	8351
LATVIA*	9918	6245	47433
LITHUANIA			168
NORWAY	411		674
POLAND			49
RUSSIA	129	301	1269
S. AFRICA	90	21	272
USA	3178	2810	27307
TOTAL	23472	18319	143828

\*May contain softwood

### UK IMPORTS BLOCKBOARD,

#### LAMINBOARD, BATTENBOARD

Classifications: 441222.91.0, 441229.20.0, 441292.91.0, 441299.20.0

m3	June 1998	July 1998	Cum. 1998
BRAZIL	106	141	1286
CHINA		2	112
CZECH REP.			40
INDONESIA	1298	2439	11157
LATVIA			38
LITHUANIA	75		129
MALAYSIA	75	108	401
NORWAY	30		92
POLAND	10	42	163
SINGAPORE		2	2
SWITZERLAND		4	16
USA			351
TOTAL	1594	2738	13787

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	June 1998	July 1998	Cum. 1998
ARGENTINA			8
BELARUS			329
BRAZIL	13143	15356	75812
CANADA	2794	4602	42376
CHILE		2256	3854
CHINA	572	732	2967
ESTONIA	272	214	3611
GHANA			252
GUYANA	481		3298
HONG KONG			1
INDIA	3		3
INDONESIA	25035	26940	98565
ISRAEL	153	158	1005
JAPAN			49
LATVIA	3358	2586	20086
LITHUANIA	1651	808	7683
MALAYSIA	19917	15389	77841
MOROCCO	133	77	598
NORWAY	218	242	1703
PHILIPPINES	46		155
POLAND	152	120	1359
ROMANIA	11		11
RUSSIA	10667	11961	60731
SINGAPORE		133	224
SLOVENIA	37	68	302
SOUTH KOREA	1788	38	3904
SPAIN	65		65
SWITZERLAND			398
TAIWAN			7
THAILAND		83	114
USA	6818	6051	192710
TOTAL	87314	87814	600021

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	June 1998	July 1998	Cum. 1998
AUSTRALIA			2
BRAZIL	11	10	43
CAMEROON	17	31	79
CANADA	5	91	534
CHINA	28		28
CONGO			141
ESTONIA	30		30
GHANA	207	379	1988
HUNGARY	33		65
INDONESIA	89		213
IVORY COAST	94		126
LATVIA	177	132	710
MALAYSIA	25		93
RUSSIA	119		317
S. AFRICA	271	108	1215
SINGAPORE			32
SLOVENIA	32	62	277
SWITZERLAND	10	51	339
THAILAND	64	33	271
USA	847	865	6969
ZAIRE	138	105	1007
TOTAL	2197	1867	14479

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	May 1998	June 1998	Cum. 1998
<b>BEECH</b>			
DENMARK			158
FRANCE	84	63	166
GERMANY			20
SWEDEN			21
FINLAND		26	40
<b>OAK</b>			
GERMANY		6	6
<b>OTHER</b>			
BELGIUM			44
FINLAND	328	1197	3637
FRANCE	340	80	C575
GERMANY	174	180	C967
IRELAND	8	12	54
NETHERLANDS		87	121
SPAIN	1		1
SWEDEN	1833	2416	7351
TOTAL	2768	4067	C13161

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	May 1998	June 1998	Cum. 1998
AUSTRIA			29
BELGIUM	1057	1667	C5088
DENMARK	58	84	584
FINLAND	4895	7235	C31677
FRANCE	1221	1596	C14632
GERMANY	884	675	5065
IRELAND	41	312	C1669
ITALY	829	527	4683
NETHERLANDS	7	9	641
SPAIN	328	223	1993
SWEDEN	778	373	C3325
TOTAL	10098	12701	C69386

INTRA E.C. UK IMPORTS BLOCKBOARD, LAMINBOARD, BATTENBOARD			
Classifications: 441222.91.0, 441229.20.0, 441292.91.0, 441299.20.0			
m3	May 1998	June 1998	Cum. 1998
BELGIUM	11		C69
DENMARK			233
FINLAND	230	1059	C2982
FRANCE		36	36
GERMANY		337	337
IRELAND	6	2	17
ITALY		86	304
NETHERLANDS		536	C1139
SWEDEN		164	373
TOTAL	247	2220	C5490

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	May 1998	June 1998	Cum. 1998
<b>BEECH</b>			
BELGIUM	35	96	355
DENMARK	111	334	1143
FINLAND			66
FRANCE	155	171	588
GERMANY	2280	2572	14337
ITALY		6	43
NETHERLANDS	46		46
SWEDEN			35
<b>OAK</b>			
FINLAND			97
FRANCE	417	759	3270
GERMANY	88	215	716
IRELAND			1
NETHERLANDS	58	24	287
<b>WALNUT</b>			
FRANCE	2		2
IRELAND		1	1
<b>OTHER</b>			
BELGIUM	297	336	C2929
DENMARK			C421
FINLAND	444	833	2410
FRANCE	236	208	C2632
GERMANY	339	463	C5935
IRELAND	216	76	C588
NETHERLANDS	1440	1034	C6271
SPAIN	228	127	C1147
SWEDEN	2086	2249	C13659
TOTAL	8478	9504	C56979

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	May 1998	June 1998	Cum. 1998
BELGIUM	198	222	1099
DENMARK	44	27	367
FINLAND	29	23	156
FRANCE	157	80	C978
GERMANY	377	298	C2028
IRELAND		41	351
ITALY	9	94	202
NETHERLANDS	11	18	144
PORTUGAL		20	24
SPAIN			C48
SWEDEN		98	121
TOTAL	825	921	C5518

INTRA E.C. UK IMPORTS SLEEPERS TREATED & UNTREATED			
Classifications: 440610.00.0, 440690.00.0			
m3	May 1998	June 1998	Cum. 1998
BELGIUM		70	70
DENMARK		6	6
FRANCE	227	367	C2951
GERMANY	806	3	1263
IRELAND	80		80
ITALY		1	1
NETHERLANDS	56	6	117
SPAIN			C692
SWEDEN		18	70
TOTAL	1169	471	C5250

## Plywood price rise brings hope

**Far Eastern plywood prices are at last on the rise. Having fallen to below INDO96 less 30 during the summer, prices have now recovered to around INDO96 less 25/27.** There are reports of Malaysian plywood selling under certain conditions at INDO96 less 21/22 on the continent. A number of factors have combined to produce the upward trend.

A major factor has been the recent increase in the exchange value of the Indonesian rupiah against the US dollar. International financial markets have been reassured by IMF reports and other data which suggest that there has been a slowdown in Indonesia's economic decline and rate of inflation, a steady reduction in interest rates and a revival in imports of goods used to manufacture products for export. Confidence has also been boosted by recent Indonesian government assurances to the IMF that it will not implement capital controls. The rupiah is now standing at around 7,800 to the US dollar, compared to a low of Rp17,000 in June. Indonesian plywood exporters are therefore hoping to boost US dollar prices to maintain the same level of income in rupiah.

Another factor contributing to an increase in plywood prices has been a severe log shortage in the Far East caused primarily by continuing heavy rains in the region. The shortages have been intensified following the Indonesian government's move to allow the export of logs. Indonesian logging companies are finding that, due to weak demand and low prices for Indonesian plywood, overseas manufacturers, notably in India, are willing to pay considerably more for unprocessed logs. There are reports that the Indonesian government has issued licenses for the export of around 500,000 m<sup>3</sup> of logs.

There also appears to have been some increased buying of plywood in Japan and China. Increased purchases in Japan reflect the recent strengthening in the yen against the dollar providing a window of opportunity, which may only be temporary, for Japanese importers. A more permanent feature of the Far Eastern plywood market is the recent move by China to significantly reduce log harvests, partly in response to flooding which was widely blamed on forest degradation in the upper reaches of the Yangtze river. This

### Look-alike hardwoods

New Zealand producers are marketing products made from radiata pine modified under a revolutionary wood hardening process known as the Indurite process. The finished product contains over 95% natural material and maintains the natural appearance of wood. The process is being used to create "look-alike" hardwoods by completely impregnating the processed timber with colour pigments. The manufacturers claim that the product has excellent hardness, dimensional stability, and machinability and offers high strength and fire resistance. 10 "Species" are being marketed including "Pacific Oak", "Pacific Mahogany" and "Pacific Teak".

move will tend to encourage increased log and plywood imports into China.

Some agents are confidently predicting that these factors will enable prices to stabilise at around INDO96 less 18/20 by March of next year. However others question the strength and sustainability of this trend. Many unanswered questions remain. How long will the yen's comparative "recovery" be sustained? Has Japan's government the will to undertake reform and avoid a prolonged slump? Will slowing growth in China push unemployment to crisis levels forcing a devaluation of the yuan? Is the apparent strength of demand for Indonesian logs from India temporary? Will Indonesian unemployment and the continuing high prices for basic commodities push the country into a renewed political crises? Each outcome will have an impact on the long term future of the plywood industry in the Far East.

Meanwhile the Brazilian plywood industry faces uncertainties of its own. At present, prices remain too high for Brazilian hardwood ply to be competitive on international markets. However some agents are predicting that if prices fall much further Brazilian producers may step in. If so they will be in a position to exploit shorter shipment times to Europe, particularly as shipment from the Far East remains uncertain due to container shortages in the region.

The reelection of President Cardoso indicates that Brazilian government policy will be to maintain the exchange value of the real against the US dollar. The government's commitment to the fixed exchange rate was confirmed with the recent announcement of a three year fiscal austerity plan designed to reduce the budget deficit and stem the flight of capital from the country. However doubts remain over the political viability of the policy package. A further flight of foreign capital from Brazil may force the government to devalue. The currency is widely regarded as being overvalued by around 10%. Devaluation of the real would provide an immediate boost to the timber export industry seeking to compete with Asian industries already benefitting from devalued currencies. But it would also discourage foreign investment into Brazil, fuel inflation, and have a detrimental impact on economies throughout South America.

### Lesser known hardwoods

The UK's Building Research Establishment has published the results of tests it has been carrying out on 16 lesser known hardwoods regarded as having particular potential for new or wider application in construction. A new set of Digests (Digest 431 Parts 1 and 2) give the results of the tests and recommend end-uses for each of them. The Digests build on an earlier Building Research Establishment Digest (Digest 417). Contact: CRC Ltd., 151 Rosebery Ave, London EC1R 4QX UK, Tel: (44) 171 505 6622, Fax: (44) 171 505 6606

## A lesson in green activism

**An article in Time Magazine highlights the tactics used by environmentalists to coerce companies in western wood markets to support their views. It also demonstrates the irrational state of the debate surrounding the environmental impact of wood products.**

The article focuses on a Rainforest Action Network (RAN) campaign to prevent Home Depot, the US-based \$24 billion a year DIY retailers, from buying timber and paper products from "old growth" forests. RAN claim that Home Depot is "the biggest old-growth retailer in the world." Environmentalists staged a Day of Action in early October, picketing Home Depot stores in a wide range of north American cities. Tactics included offering customers "rain forest tours" designed to highlight products made with timber from natural forests around the world. Products targeted included ramin dowels and tool handles, from SE Asia, Brazilian mahogany doors, cedar shingles and Douglas fir lumber from North America's west coast, and plywood from the Philippines and Indonesia. The environmentalists now threaten to follow up with newspaper ads, frequent pickets and civil disobedience at selected stores around the U.S. In the article RAN claim that they have already persuaded Mitsubishi Motors and Mitsubishi Electric to use only "tree-free" products by 2002. The article's author doesn't stop to question the implications of a company best known for the manufacture of cars and four wheel drive vehicles boycotting the use of wood, one of the few renewal resources available.

The article notes that other companies have been coerced into complying with RAN demands following the establishment of free telephone numbers to allow consumers to complain. Another tactic has been to threaten to advertise in the national press lists of companies that refuse to comply with the environmentalists demands. RAN also claim that "in another recent victory" environmentalists forced MacMillan Bloedel to stop clear-cutting and to stay out of pristine coastal rain forests. This was achieved by "Getting MacBloe's big customers, such as Pacific Bell to ratchet up the pressure."

RAN claim that Nike, Levi Strauss and Andersen Corp, the largest U.S. window manufacturer, agreed to their demands "without hesitation". It is a realism that many big name western companies are willing to sign up to "environmental" policies based only on assessments of risk to public image, rather than a balanced analysis of real environmental costs. But at least Home Depot appear willing to take a stand. The company's community-affairs director, is quoted in the article as saying the activists are expecting too much, too fast. Home Depot emphasise that they are encouraging their suppliers to inform them of the source of their timber. They also note that they have 5,000 suppliers and over 50,000 products.



## Crises encourages rethink in Gabon

**Gabon's timber industry has been hit particularly hard by the Asian crises due to the country's heavy reliance on log exports to the Far East.**

The strategic and economic importance of the sector has meant that solutions to the problems of Gabon's forest sector are now being considered at the highest political levels.

In 1997, Gabon exported 2.7 million m<sup>3</sup> of logs, 2 million of which were of okoume and ozigo. France has traditionally been the major buyer, but in 1997 China became the largest importer buying over 1 million cubic meters. Last year, around 61% of Gabon's log exports went to the Far East, while France imported around 464,000 m<sup>3</sup>, primarily of Okoume used in the manufacture of plywood. At present, only around 7% of logs are processed in the country.

Since the end of 1997, Gabon's timber industry has come under intense pressure. There has been a considerable drop in purchases by Asian clients, and intense competition with other log producers in the Far East where devaluated currencies have provided a substantial price advantage. European markets for okoume logs have also weakened as European plywood manufacturers are having to compete with low priced Meranti panels.

These pressures have resulted in a 30% decline in activity in Gabon's forest sector during 1998 compared with the previous year. Exports from Gabon in July amounted to only 90,000 m<sup>3</sup>, compared with 212,000 m<sup>3</sup> in 1997. SNBG, the government agency which has a monopoly over the buying and selling of okoume and ozigo logs, has been forced to severely curtail purchases in an effort to empty excessive wood inventories. By July SNBG stocks had risen to a massive

380,000 m<sup>3</sup>, around a quarter of the country's annual production. SNPG is now facing a severe liquidity crisis. The extent of the organisation's financial woes was revealed in a request from the SNPG Board of Director's during August for a government subsidy of around F CFA 15 billion to enable local banks to reopen credit lines.

The problems facing Gabon's logging industry are of real concern to Gabon's government. 28% of Gabon's population is directly dependent on the forest sector. It is the nation's second largest economic sector after oil. The difficulties of the sector demonstrate the considerable risks associated with over-reliance on the export of unprocessed products to a limited market. Gabon's government believes a major part of the solution is to encourage inward investment in value added processing. This will serve to increase employment opportunities and national income from the sector, reduce the risks associated with fluctuating commodity prices, and help to diversify markets for Gabon's forest products. However encouraging downstream processing will not be easy, requiring the provision of adequate incentives to the private sector and over-haul of the nation's forest regulations and fiscal framework.

Gabon's Council of Ministers have recently introduced a new law to promote the sustainable management of the nation's forests. The law, which was drawn up following a participative process of consultation, strengthens the state's ability to deal with social and economic problems in rural areas, manage forests sustainably, and protect the environment. *Source: Interview with Andre Berre, President of Gabon's National Privatisation Committee, FFBTA/FFIBN Newsletter 9/98.*

## Impact of EMU on African currencies

Steps are being taken to tie the CFA franc to the EU's new single currency, the Euro, which is due to be introduced in January 1999. The plan, which has been proposed by the European Commission, would be an extension of France's existing support for the CFA franc which is used in 13 former French colonies. The CFA countries involved are Benin, Burkina Faso, Cameroon, Central African Republic, Chad, Congo, Cote D'Ivoire, Equatorial Guinea, Gabon, Guinea Bissau, Mali, Niger and Togo. At present, the CFA franc is fixed to the French franc, giving it an indirect link to the Euro. The French treasury guarantees a set conversion rate of one French franc to 100 CFA francs. The move to switch to a fixed rate under the Euro would be a natural transition. The German government has voiced concerns, suggesting that there should be assurances that the European Central Bank would not be placed under additional pressure if the CFA zone went into economic decline, causing a stampede out of the CFA franc. However, the European Commission appears confident that the move would not affect the

smooth operation of the Euro. Full Euro convertibility for the CFA franc would be good news for the CFA zone, promising continued monetary stability and guidance from the European Central Bank. However, this is likely to come at a price. Many are speculating that further CFA devaluation may be necessary (following a 50% devaluation in 1994). If it occurs, it is expected the currency will devalue by around 25% in mid 1999. *Source: OT Africa Line Newsletter*

## New shipping line

West Africa shipping and logistics specialist, OT Africa Line (OTAL) has launched its own maritime agent - OTAL North America - in the USA and Canada. The new organisation provides the North American shipping community with a specially focused liner agent dedicated to handling shipments to, from and within West Africa. The company provides regular weekly sailings linking the US and Canada with every major West African market between Mauritania and Angola. Using its own inland transport network, the company also manages transportation to and from the interior of West Africa, including land locked countries such as the Central African Republic and Niger.

## Cameroon study examines causes of deforestation

**The tropical timber trade has consistently argued that timber harvesting is a relatively minor cause of deforestation, and that other influences outside the forest sector tend to be more important influences. A new study carried out in Cameroon seems to support this argument.**

The study may also provide insights into the possible damaging impact on forests of the current economic crises that has hit many tropical countries.

The study is a joint project carried out by the Centre for International Forestry Research (CIFOR) and the National Cartography Institute in Cameroon. It looks at patterns of "reverse migration" that occurred when Cameroon suffered the effects of a widespread economic crises that began in the mid-1980s. The loss of employment opportunities in urban areas led masses of people to move back to rural areas to establish farms and pursue other income-producing ventures on the edges of forests. Collapse of urban employment was coupled with a massive currency devaluation which affected the crops people planted and the amount of land they used. The study looked at the links between these events and the rate of deforestation in Cameroon. For example, cocoa - and to a lesser extent coffee, grow in shaded areas, and therefore depend on forest cover. The study considered whether a collapse in the prices of these commodities led people to shift to other crops taking a greater toll on forests.

Among the results revealed so far was a huge shift at the onset of the crises (1986-1992) away from the production of cocoa and coffee toward the production and marketing of food crops, notably plantain. However many farmers retained their cocoa and coffee plots in the hope that prices would eventually revive. This meant that production of new food crops tended to be at the expense of forest cover and not existing agricultural lands.

However by 1996, declining soil fertility was leading to stagnating plantain production in certain areas, notably near the capital, Yaounde. Forest clearing is now strongly related to increased areas of land dedicated to non-plantain food crops.

The "population and migration" survey in Cameroon is one component of a two year study launched last year with funding from the UK's Department of International Development (DFID). The study looks at the complex interactions between farmers, institutions and companies that influence the conditions of forests and rural livelihoods in Cameroon. Eventually the Cameroon research findings will be integrated with results from similar studies in Indonesia and Bolivia.

## German tropical timber imports buck downward trend

Over recent years supplies of tropical logs and sawnwood to Germany have been on a downward trend. Imports of tropical logs declined from around 316,000m<sup>3</sup> in 1991, to 113,000 m<sup>3</sup> in 1996, and direct imports of tropical sawn (excluding imports transhipped from other temperate countries) fell from 338,000m<sup>3</sup> to 145,000m<sup>3</sup> over the same period. A number of factors seem to have been responsible. Firstly, German manufacturers have demonstrated a willingness to use new products. For example many window manufacturers are replacing traditional tropical sawn timbers with laminated window scantlings, large volumes of which are now imported from Indonesia. Secondly there has been a fashionable trend away from red tinted timbers to lighter tints which has tended to favour temperate over tropical hardwoods. It has also resulted in rising demand for lighter tropical timbers such as Limba and Aniegre Blanc. Thirdly imports of tropical timbers into Germany may have been affected by the environmental movement.

Nevertheless, German tropical imports in 1997 bucked the downward trend, with an 18% and 10% increase over 1996 in log and sawn imports respectively. This reflects an increased rate of growth of the German economy during 1997.

In the longer term, opportunities to import logs from West Africa for Germany's extensive veneering industry have been reduced as exporting countries have introduced legislation to discourage log exports and promote value added processing. There are now only five major log supplying countries in Africa. Cameroon is by far the largest tropical log supplier to Germany, with volumes reaching 77,000m<sup>3</sup> in 1997 compared with 54,000m<sup>3</sup> in 1996. Species included Sipo, Sapele, Ayous, Khaya, and Kossipo. Exports to Germany through the Cameroon port of Douala will also include logs, including volumes of Aniegre blanc, from the Central African Republic. Log exports from the Congo Republic were around 18,000m<sup>3</sup> in 1997, supplies being constrained by the difficulties of rail transport between Brazzaville and the country's major seaport at Pointe Noire.

Ghana was the major African supplier of tropical sawn timber, exporting around 66,000 m<sup>3</sup> to Germany in 1997, compared with 60,000m<sup>3</sup> in 1996. The main species was Wawa, with lesser volumes of Iroko, Khaya, Utile and Framire. Imports of Malaysian sawn meranti into Germany have been in decline over recent years falling from around 112,000 m<sup>3</sup> in 1994 to as little as 60,000m<sup>3</sup> in 1996. This reflects the growing substitution of tropical sawn with laminated material by German manufacturers and the progressively increasing quality demands of German buyers. But 1997 saw a slight recovery in sawn timber imports from Malaysia, volumes rising again to 75,800m<sup>3</sup>.

German imports of sawn temperate hardwood increased by 18% between 1996 and 1997 to around 452,000 m<sup>3</sup>, although much of this increase was due to a rise in imports of low quality material from Lithuania. Sawn hardwood

	GERMANY TROPICAL TIMBER IMPORTS 1996 & 1997					
	Logs			Sawn		
	1996	1997	% Change	1996	1997	% Change
EQ. GUINEA	9.3	8.7	-6.4	-	-	-
IVORY COAST	0.6	1.9	208.5	6.8	5.6	-18.6
GHANA	0.1	0.0	-92.2	60.6	66.0	9.0
GABON	12.0	17.2	43.2	-	-	-
CAMEROON	54.2	77.1	42.3	2.9	3.1	8.2
MOSAMBIQUE	1.2	0.1	-93.8	-	-	-
CONGO (REP)	22.3	18.3	-17.6	0.4	1.2	212.1
CONGO (DEM REP)	9.6	7.5	-22.6	2.8	2.5	-11.4
OTHER	1.9	1.0	-48.7	1.5	1.0	-34.3
<b>AFRICA</b>	<b>111.2</b>	<b>131.7</b>	<b>18.5</b>	<b>75.0</b>	<b>79.4</b>	<b>5.8</b>
BRAZIL	-	0.2	-	3.1	3.0	-4.4
OTHER	0.1	0.1	-11.0	0.9	0.7	-20.3
<b>S. &amp; C AMERICA</b>	<b>0.1</b>	<b>0.3</b>	<b>174.7</b>	<b>4.0</b>	<b>3.7</b>	<b>-8.0</b>
INDONESIA	0.2	0.0	-78.9	7.3	9.7	32.2
MALAYSIA	0.1	0.2	83.0	60.6	75.8	25.2
MYANMAR	2.0	2.1	7.8	0.4	0.6	53.4
SINGAPORE	-	-	-	5.0	3.9	-22.1
OTHER	0.1	0.2	43.7	0.5	0.4	-33.8
<b>ASIA</b>	<b>2.4</b>	<b>2.6</b>	<b>7.2</b>	<b>73.8</b>	<b>90.4</b>	<b>22.5</b>
BELGIUM-LUX	-	-	-	1.2	1.7	37.2
NETHERLANDS	-	-	-	11.2	8.7	-21.8
USA	-	-	-	1.6	1.5	-7.3
OTHER	-	-	-	3.8	3.5	-8.3
<b>TOTAL</b>	<b>113.7</b>	<b>134.6</b>	<b>18.4</b>	<b>170.7</b>	<b>188.9</b>	<b>10.7</b>

imports from the US increased by as much as 26% during 1997 to stand at around 121,000 m<sup>3</sup>. Over one third of this volume consisted of oak. Imports of French sawn hardwood, consisting primarily of oak and beech declined from 45,900m<sup>3</sup> to 33,200 m<sup>3</sup> over the same period. The increase in German imports of US hardwood doesn't appear to have been maintained into 1998 - recent figures from AHEC suggest that these imports declined by 27% during the first half of 1998.

Germany is Europe's most populous nation and largest economy. After very rapid GDP growth in the first quarter of 1998, at a year on year rate of 4.3%, the rate of growth slowed dramatically in the second quarter to 1.7%. Germany's GDP is now expected to grow at an annualised rate of 2.9% in 1998. Relatively rapid growth in the first quarter reflected a mild winter and a greater number of working days. A one per-centage point rise in value added tax on 1 April also slowed consumer spending in the second quarter.

Growth in Germany's construction sector has been weak for some time. According to Euroconstruct, Germany registered an annual growth rate of -1.7% between 1995 and 1997. In 1997 Germany's construction output accounted for ECU200.4 billion, which compares with ECU211.5 billion in 1995. An increase in government spending ahead of the recent federal election gave German construction a short lived boost in the early months of 1998. A 2.7% increase in the rate of growth in construction sector during the first quarter of 1998 was followed by a decline of 7.4% in the second quarter. The short term boom appears to have been largely restricted to Western Germany. Most analysts believe that growth has remained slow into the second half of the year. Euroconstruct estimates that while Germany's construction sector will maintain its prime position in Europe in volume terms, it is

unlikely to make any contribution to European construction recovery, with growth rates of between -0.9% and +0.8% being forecast for 1998 and 1999 respectively.

Economic growth in Germany continues to be constrained by the high and rising non-wage labour costs needed to support a still very generous state welfare system and its relatively inflexible labour market. This has encouraged entrepreneurs to continue cost-cutting at home, often by shedding labour. Business investment abroad has grown strongly while inward foreign direct investment has slowed to a trickle.

	GERMAN TEMPERATE SAWN HARDWOOD IMPORTS		
	1996	1997	%Chge
AUSTRIA	14.2	23.4	65.1
BELGIUM-LUX	5.9	1.5	-74.0
DENMARK	0.6	0.4	-43.1
FINLAND	2.7	2.4	-10.7
FRANCE	45.9	33.2	-27.6
ITALY	3.1	2.9	-7.1
NETHERLANDS	6.1	3.3	-46.6
NORWAY	0.1	0.4	639.3
RUSSIA	1.1	2.8	154.0
SWEDEN	2.3	2.1	-8.3
SWITZERLAND	2.8	3.4	22.8
<b>W. EUROPE</b>	<b>84.7</b>	<b>75.8</b>	<b>-10.6</b>
BELARUS	13.3	11.7	-12.4
BULGARIA	1.1	1.5	34.5
CROATIA	1.5	2.0	33.8
CZECH REP.	12.1	11.5	-4.4
ESTONIA	0.5	1.0	95.3
HUNGARY	10.8	11.1	2.6
LATVIA	5.5	10.3	86.1
LITHUANIA	21.7	68.2	214.7
MACEDONIA	-	2.1	-
POLAND	45.3	43.6	-3.8
ROMANIA	7.0	7.2	2.3
SLOVAKIA	15.7	13.1	-16.6
SLOVENIA	1.0	0.8	-23.7
UKRAINE	16.2	22.3	38.3
<b>E. EUROPE</b>	<b>151.8</b>	<b>206.5</b>	<b>36.0</b>
CANADA	47.2	45.7	-3.2
USA	96.1	121.6	26.6
<b>N. AMERICA</b>	<b>143.2</b>	<b>167.3</b>	<b>16.8</b>
OTHERS	2.1	2.7	27.0
<b>TOTAL</b>	<b>381.9</b>	<b>452.2</b>	<b>18.4</b>

### Indonesia - cont. from back page

30% with immediate effect, and then further reduced to 20% by the end of December 1998, 15% by the end of December 1999, and 10% by the end of December 2000. The first signs that these measures would lead to a resumption of log exports became apparent in early October. Some 40 companies applied to the Ministry of Forestry for licences to export logs. The companies applied for licences covering around 1.6 million m<sup>3</sup> of logs. To date around 12 companies have been granted licenses to export 600,000 m<sup>3</sup>. However, the existing overcapacity of processing facilities in Indonesia implies log exports are unlikely to become regular.

The Indonesian government has also forged ahead with its plans to replace export taxes with increased rents and royalties in the forest, and to improve the system for allocation of forest concessions. Most recently, Muslimin Nasution, the new Minister of Forestry and Estate Crops under President Habibie, has focused on overcoming the problems of corruption and inefficiency in the forest concession system. He has announced that timber concessions that have been obtained by corrupt means will be cancelled and the management of the concession transferred to a cooperative. A new auction system for the reallocation of concessions is being designed. This will incorporate a bidding system designed to ensure that concessionaires are capable of sound forestry practice. The maximum size of timber concessions is being reduced to 39,000 hectares, and efforts are being made to broaden the ownership of concessions away from a few large holding companies. At present, concessions are concentrated in the hands of nine ownership holding companies that have total concession areas in the range of 1.3 million hectares to 3.5 million hectares. In order to prevent further deterioration of the country's forests, no new forest areas are to be opened up under concession agreements. The areas auctioned will be limited to areas where concession permits have been revoked by government. The new Minister has also taken steps to investigate the past use of the nation's reforestation fund. He is seeking the return of RP 23 billion transferred from the Reforestation Fund in 1996 to the state owned aircraft manufacturer, IPTN. He is investigating the provision of Rp 250 billion to Bob Hasan for the establishment of a pulp and paper mill, and 80 billion to Suharto's grandson for fertiliser manufacturing. According to Harsono, DG of the Reforestation and Land Rehabilitation bureau, only 10% of the Fund has been used for reforestation.

### AHEC Seminar

AHEC are hosting an American Forest Products Seminar for Architects at the Scotbuild Exhibition in Glasgow on 10 November. The Seminar will include talks on American forest resources, hardwood products, engineered wood products, and availability of American forest products in the UK. Details available from AHEC- 3 St Michael's Alley, London EC3V 9DS, Tel - 0171 6264111, Fax - 0171 626 4222.

## ITTO Director argues for plantations

**In a recent report in the CIFOR newsletter, the Executive Director of ITTO, Dr Freezailah, made the case for tropical plantations. His argument is based on analysis of comparative economic returns to be made from tropical plantations compared with natural forest management.**

Mr Freezailah notes that "it is well recognised that tropical timbers from natural forests are increasingly facing competition with timber from temperate forests, against which tropical timber from sustainably managed natural forests is at a distinct disadvantage".

He notes that while prices for tropical logs are higher than those for temperate logs, the premium is insufficient to cover the extra costs of production. The average price (CIF) paid in Japan for utility grade tropical logs (Papua New Guinea Mixed Light Hardwood) in 1996 was US\$175 m<sup>3</sup>, compared to US\$90/m<sup>3</sup> for plantation grown radiata pine logs from Chile. However the production of commercial timber from natural tropical forests is only about 0.5-3.0 m<sup>3</sup>/ha/year, compared to 4.0-10.0 m<sup>3</sup>/ha/year from temperate forests. Extraction and sustainable management costs of natural tropical forests range between US\$50-200/m<sup>3</sup>, compared to only US\$15-30 m<sup>3</sup> for temperate forests.

Using these figures, Mr Freezailah suggests that any further increase in the management costs for tropical timber due to rigid standards for the sustainable management of natural tropical forests, timber certification, and other costs will render it increasingly uncompetitive with the

large quantities of commodity timbers becoming available, especially from plantation grown timbers from temperate countries. He notes that Chile's production of radiata pine will increase by around one third from current levels, to nearly 28 million m<sup>3</sup>/year by 2010, and New Zealand will double the amount of wood from plantations to 30 million m<sup>3</sup> year.

Mr Freezailah concludes that "tropical forestry must follow these examples, focusing on wood production from intensively managed plantations of species selected for timber production". *Editors note: while it would be wrong to dispute the very real potential of expanding plantation production in tropical countries, Dr Freezailah's underlying economic analysis and apparent dismissal of natural forest management in the tropics seems overly simplistic and may be questioned on a number of grounds. Firstly his analysis only considers the economics of log production and extraction, and takes no account of the economic potential of value-added processing based on supplies of quality hardwoods from natural tropical forests. Secondly, while he refers to the costs of sustainable management of natural forests, no account is taken of the environmental costs of plantation forest management. For example, the economics of temperate plantation forestry is heavily reliant on monocultures and clear-cutting, practices that are already coming under intense scrutiny on environmental grounds. Thirdly, the environmental benefits of managing natural tropical forests for timber, which provides an incentive to maintain land under forest rather than convert to monocultures or agricultural crops, should also be considered.*

### Solomon Islands in cash crises

A report from the InterPress Service highlights the continuing difficulties of the forest sector in the Solomon Islands. Cash starved Asian logging companies have cut back logging operations as regional markets have collapsed, resulting in slashed earnings from timber exports, weakening an already fragile economy. About half the Solomon Islands' export income and tax revenues come from the logging industry. Forest products exports have declined by more than 60 percent this year, while industry income has dropped to below 25 million dollars this year from 67 million in 1997.

The Solomon Islands government is struggling to cope with an IMF structural adjustment programme designed to counter the effects of Asia's financial crisis. The programme requires it to stimulate exports and restrain domestic demand, while cutting log exports to sustainable levels in the long term. This programme is proving extremely challenging. In the four years until 1997, the Solomon Islands had benefited from dramatic rises in the prices of their logs on international markets, following reductions in log exports from Sabah and Sarawak. This had encouraged the government to rapidly increase public spending, stimulating an unsustainable increase in consumption. As a

result the economy has been hit particularly hard in the wake of the Asian economic collapse. The Asian Development Bank predicts that the adverse impact of Asia's recession will range from 15 to 25 percent of GDP.

### South Pacific certification

The UK-based Commonwealth Development Corporation's plantation forestry company in the Solomon Islands, Kolombangara Forest Products (KFPL) has become the first large, commercial export based forestry operation in the Pacific to be awarded FSC certification. The certification was undertaken by the Soil Association under Woodmark, their FSC accredited programme. KFPL will achieve a harvest volume of 300,000 m<sup>3</sup> of hardwoods per annum from its planted area by 2005. Trial shipments from the certified area have been made into the UK through Edinburgh-based Just World Trading.

### Furniture exhibition

ASFI 98, the UK furniture industry's biennial exhibition is being held in Hall 4 of the National Exhibition Centre in Birmingham between 15th and 18th November. Over 230 companies will be exhibiting taking up all the available floor space of 8000 m<sup>2</sup>.

## Indonesian reforms

### Indonesia's forest sector is undergoing a period of unprecedented restructuring in the wake of Asia's financial crises.

The crises has served to highlight a number of serious underlying weaknesses in the country's forest sector, including severe over-capacity, and inefficiencies in the system of concession allocation and government revenue collection. The scale of the restructuring is reflected in a statement by the Indonesian Forestry Society chairman, Sudradjat, who announced in early October that at least 40% of the country's timber-related companies planned to switch away from the exploitation of natural tropical forest to more promising business sectors, notably plantations.

Indonesia currently has 421 timber companies, 1701 sawmills, 115 plywood companies and 6 pulp and paper companies. Total installed capacity requires around 57 million m<sup>3</sup> of logs a year, including 26 million m<sup>3</sup> for the sawmilling sector, 17 million m<sup>3</sup> for the plywood sector and 13 million m<sup>3</sup> for the pulp and paper industries. But it is estimated that Indonesia's forests are only capable of yielding around 31 million m<sup>3</sup> over the next 5 years, implying severe log shortages unless significant steps are taken to rationalise the industry. This situation appears to have arisen from poor coordination between the investment coordinating board, which approved new investment in the industry, and the forestry and plantation ministry which issues concessions.

In an attempt to overcome these problems the government has embarked on series of sweeping reforms in the forest sector. A key theme of the reform movement has been to dismantle the practice of "collusion, corruption and nepotism" that characterised the Suharto era. Linked to the anti-corruption campaign have been IMF-inspired measures designed to open the country's forest sector to international competition, and to ensure domestic log prices adequately reflect the costs of sustainable forest management. These changes come at a time when the country's forest sector is reeling under the combined impact of high capital costs, soaring prices for timber and wood processing equipment, and the collapse of regional and domestic markets for forest products.

Prior to the fall of Suharto in May, the Indonesian government reacted to IMF requests that Indonesia cut export taxes on logs. On April 15, Suharto's government announced that export taxes on logs would be reduced from 200% to

SHARE PRICES FOR SOME U.K. COMPANIES

	52 Week High	52 Week Low	20-Jun	30July	21 Aug	25 Sept	26 Oct
J. Latham	203.5	146.5	201.5	171.5	161.5	151.5	146.5
Meyer International	445.5	244	382	299.5	274	255.5	313
Travis Perkins	628.5	379	549	468.5	444	412.5	435
Barratt Devs.	341	155.5	287	237	208.5	169.5	210
John Laing	397.5	309.5	394.5	383.5	358.5	361.5	339
Alfred McAlpine	181.5	106.5	161.5	133.5	123.5	111	143
J. Mowlem	150	77.5	149.5	140.5	114	107.5	93.5
George Wimpey	143.5	91.5	126	103	109	92	111.5
Cornwell Parker	182.5	103.5	151	120	113.5	103.5	97.5

EXCHANGE RATES FOR ONE POUND STERLING

		24 July	14 August	29 Sept	26 Oct
Australia	Aus.\$	2.6697	2.7300	2.8561	2.7279
Bangladesh	Taka	78.1296	76.4363	80.3763	82.0936
Belgium	Belgian Fr.	60.8614	60.1429	59.0791	57.1219
Belize	B\$	3.3176	3.2457	3.4130	3.3853
Bolivia	Boliviano	9.2064	9.0068	9.5052	9.4958
Botswana	Pula	7.6710	7.5492	7.5854	7.3828
Brazil	Real	1.9336	1.9010	2.0215	2.0154
Fr. Africa*	CFA Fr.	989.480	977.360	960.180	928.250
Chile	Peso	771.093	764.362	795.826	783.612
China	Yuan	13.7342	13.4371	14.1268	14.0114
Denmark	Danish Krone	11.2470	11.1033	10.8884	10.5205
France	Franc	9.8948	9.7736	9.6018	9.2825
Germany	D-mark	2.9507	2.9161	2.8635	2.7679
Ghana	Cedi	3856.72	3813.71	3967.62	3935.42
Guyana	Guyanese \$	252.635	247.160	251.3673	252.713
Hong Kong	HK\$	12.8528	12.5768	13.2220	13.1175
India	Rupee	70.5405	69.9530	72.4921	71.5822
Indonesia	Rupiah	23389.1	20894.3	18344.9	13795.2
Irish Republic	Punt	1.1740	1.1625	1.1440	1.1104
Italy	Lira	2910.95	2876.42	2831.55	2738.50
Japan	Yen	233.609	236.206	228.688	200.054
Kenya	K. Shilling	98.2010	97.0465	102.4754	101.221
Korea South	Won	2066.45	2149.47	2340.47	2227.95
Malaysia	Ringgit	6.8426	6.8083	6.4847	6.4321
Myanmar	Kyat	10.3703	10.1456	10.6685	10.5819
Netherlands	Guilder	3.3263	3.2883	3.2290	3.1218
Nigeria	Naira	142.922	140.620	147.442	146.753
Philippines	Peso	69.8356	70.1072	74.8301	71.1422
Portugal	Escudo	301.653	298.353	293.663	283.697
Singapore	Singapore \$	2.8370	2.8360	2.8588	2.7459
South Africa	Rand	10.2597	10.2321	9.9451	9.6883
Spain	Peseta	250.537	247.387	243.244	235.126
Taiwan	\$	57.0138	56.3226	58.8530	55.6941
Tanzania	Shilling	1096.72	1067.84	1127.31	1118.93
Thailand	Baht	67.8449	67.7946	66.5109	63.5167
Uganda	New Shilling	2028.71	1983.12	2192.8515	2225.83
U.S.A	US \$	1.6588	1.6229	1.7065	1.6927
Venezuela	Bolivar	930.587	926.242	980.8112	965.276
Vietnam	Dong	21551.1	22568.2	23727.2	23538.0
Zimbabwe	\$	30.8123	35.2972	56.8267	60.0892

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

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### SUBSCRIPTIONS

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