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FSC momentum pressurises tropical trade

A WWF press conference on 30 June highlighted the momentum developing behind the Forest Stewardship Council and the potential threat to tropical timber markets presented by growing European interest in environmental product labelling.

The Press Conference was organised by the WWF to announce that the area of FSC certified forest has reached more than 10 million hectares and was attended by around 30 reporters, mostly from the national press. According to WWF "more than 115 forests in 25 countries have now been independently certified by the FSC certification and labelling scheme - the only credible, independent guarantee that timber comes from well managed forests." The area of FSC certified forests doubled in the first half of 1998, and "there are now 2000 FSC certified wood products available around the world and demand continues to grow".

Certification demand increasing

There is little doubt that the WWF are right in their assessment that demands for environmental information amongst European consumers are on the increase. Like other environmental groups, the WWF are playing a leading role in generating these demands through their own campaigning activities. The very existence of FSC certified timber is raising expectations in the market place. The WWF have also recognised the susceptibility of retailers to environmentalist demonstrations, and the importance attached by these companies to maintaining a clean public image. Some retailers are now taking on a pro-active role themselves to promote FSC certification. B&Q has promoted FSC through national advertising campaigns. Given the resources and customer base of these companies, it is likely that their promotional activities will have a profound effect on public attitudes, more significant than environmentalist campaigns.

The resources currently being devoted to selling the FSC explain only part of its media appeal. FSC is simple for consumers to understand. It's apparent ability to provide a product label

through an audit of the chain of custody gives it an extra marketing edge. It claims to create a direct link between consumers' purchasing decisions and the "forest problems" they read so much about in the newspapers.

Technical challenges

While it is easy to understand the market appeal of FSC, actual implementation on the ground presents a huge technical and political challenge. Certification is often only a realistic option for suppliers in countries where forestry regulations are already well established. Even where certification is an option, there are numerous commercial risks to deter producers from taking the plunge. Certification can be a bureaucratic and potentially costly exercise and there is no guarantee that producers will benefit from it. Certifiers charge for their inspections irrespective of whether a company obtains the certificate. Markets for certified products, while growing, are by no means guaranteed, particularly if the certified product is significantly more expensive than the uncertified product. The case of Isoroy in Gabon illustrates that efforts to gain certification may back-fire. Isoroy was awarded FSC certification in 1996 for an area of natural tropical forest in the Congo basin. However, following a series of complaints from environmental groups, the certification was revoked, generating negative publicity for the company.

Some tropical producers have been successful in their efforts to gain FSC certification and should now be benefiting from the marketing advantages. However, on the evidence of data provided by the WWF on 30 June, the risks and challenges associated with FSC certification appear to be particularly onerous for tropical developing countries. There are now 125 FSC certified forests, totalling 10.4 million hectares (see table overpage). Only 38 FSC certified forests, with an area of 2.2 million hectares, are in the tropics. Over half of this area is accounted for by one certified natural forest in Zambia. There are no FSC certified forests in the major tropical timber producing

regions of West and Central Africa, only one in South East Asia and three in the vastness of the Amazon rain forest. To date the major beneficiaries of FSC certification have been large integrated forest management units located principally in Sweden and Poland (which together account for 6 million hectares of certified forest).

Vulnerability of tropical trade

All this suggests that an overly exclusive focus on FSC labelling in major consumer markets will serve to increase the vulnerability of the tropical timber trade. There seems to be a very real danger of a two tier trade emerging. On the one hand there will be a "rich man's club" of large producers primarily in the developed world gaining exclusive access to high value environmentally-aware western markets. Meanwhile the trade from uncertified suppliers

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STATISTICS IN THIS ISSUE	
U.K. IMPORTS	
logs, sawn, plywood, veneers sleepers, blockboard	Outside E.C. March & April 1998
	Intra E.C. February & March 1998
FSC CERTIFIED FORESTS	
Area of all certified forests and natural forests by country, July 8, 1998	
FRENCH HARDWOOD IMPORTS	
Logs and sawn by continent and country	First quarter 1998
US HARDWOOD LUMBER EXPORTS	
By country	Year 1997 Jan - May 1997 & 1998
ASIAN ECONOMIES	
GDP % Change forecasts	1998 & 1999

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in poorly regulated countries will be progressively diverted towards less environmentally concerned markets. There is also a danger that FSC's emphasis on market "credibility" will result in certification standards that reflect the demands of western consumers more than the real needs of forest-dependent people in the tropics. An effective response may require the development of alternative approaches to "environmental quality assurance" better suited to tropical conditions. There are a range of options.

National certification

"If you can't beat them, join them"....A number of tropical countries, including Ghana, Malaysia and Indonesia, have been quick to recognise the growing interest in green issues and certification in European markets. They are responding with the development of their own certification programmes. By doing so, they hope to turn a potential threat into an opportunity to maintain and extend markets in sectors where green issues are becoming important. National schemes include many of the elements of FSC certification, such as audits of forestry practices by independent certifiers and the development of certification standards by a "participatory" committee of various interest groups. Certification standards are generally designed to be compatible with ITTO's sustainable forestry guidelines. Such schemes could play a major part in confirming the environmental credentials of the tropical timber trade, but efforts need to be made to ensure they gain broader market recognition.

The Keur Hout scheme in Holland illustrates the role that can be played by importers to promote market access for national schemes. Keur Hout was established with the support of the Dutch government and importing industry to act as a kind of clearing house for national certificates. It monitors the chain of custody of timber from national schemes, and promotes to Dutch buyers a single label for timber derived from a diversity of such schemes. Keur Hout has been developing the scheme on a pilot basis with Malaysia. 3,800 m³ of audited Malaysian timber were shipped to Holland and successfully marketed to local authorities earlier this year.

Environmental Policies and Codes of Practice

Individual companies and national trade associations can also take the initiative to demonstrate good forestry practice. Corporate environmental policies and industry codes of practice will be particularly relevant where forestry institutions are insufficiently developed to allow for the effective introduction of national certification. They may also provide a solution where particular technical problems inhibit the development of product certification.

The American Forest and Paper Association's Sustainable Forestry Initiative illustrates how an industry code of practice may be applied to the forest sector. It is a condition of membership of AF&PA that companies commit to a set of "Sustainable Forestry Principles and

FSC CERTIFIED FORESTS				
000s has	All Forests		Natural Forests	
	No.	Area	No.	Area
TOTAL	125	10339.4	79	9367.3
ALL TROPICAL	38	2259.4	26	1924.6
BELIZE	1	95.8	1	95.8
BOLIVIA	3	223.0	3	223.0
BRAZIL	6	383.5	1	80.6
COSTA RICA	5	23.5	2	4.4
HONDURAS	2	33.0	2	33.0
MALAYSIA	1	55.0	1	55.0
MEXICO	4	117.2	4	117.2
PANAMA	1	<0.1	-	-
PARAGUAY	1	16.0	1	16.0
SOLOMON IS.	9	1.1	9	1.1
SRI LANKA	3	12.7	-	-
ZAMBIA	1	1273.7	1	1273.7
ZIMBABWE	1	24.9	1	24.9
ALL NON TROP	87	8080.0	53	7442.6
BELGIUM	3	10.3	-	-
CANADA	1	19.2	1	19.2
CZECH REP.	1	10.4	1	10.4
ITALY	1	11.0	1	11.0
NETHERLANDS	8	52.6	-	-
NEW ZEALAND	2	45.0	-	-
POLAND	4	1724.7	4	1724.7
SOUTH AFRICA	10	484.6	-	-
SWEDEN	12	4275.9	12	4275.9
SWITZERLAND	1	2.1	1	2.1
UK	10	6.1	3	0.1
USA	34	1437.9	30	1399.2

Implementation Guidelines". Members are required to report annually to AF&PA on their progress and reports are assessed by an independent expert review panel. AF&PA is also evolving a system of third party auditing for companies wishing to provide a further guarantee of their environmental commitment. SFI provides a relatively low cost mechanism, technically adapted to US conditions and avoiding the bureaucracy of chain of custody procedures, allowing producers to make credible environmental claims about forestry practices.

ISO14001

The environmental management systems standard, ISO14001, may also provide an answer for some tropical producers looking to demonstrate good environmental practice. The standard is already being adopted by tropical producers in Malaysia, Indonesia, and Brazil. Introduction of the standard will be helped along with the imminent publication of a set of ISO Guidelines for forestry managers seeking to achieve certification to ISO14001.

Lesson of FSC

These approaches may be technically better suited than FSC certification to many tropical forest situations. They are adaptable and may be linked with existing government-led efforts to promote sustainable forest management. However, it would be wrong to ignore the lesson of the FSC that broad market recognition confers considerable benefits. Gaining similar recognition for schemes other than the FSC is a major challenge facing the tropical industry.

Ghanaian notes

Concession overhaul

Ghana continues the overhaul of its forest regulatory system to ensure the implementation of sustainable practices in accordance with its commitment to ITTO's Objective 2000. The passage into Law of the Timber Resource Management Act was announced in the Ghanaian Times on 18 June. The Law replaces the 1962 Concession Act, which for over 30 years established the framework for the allocation of timber rights in Ghana.

The new Act provides for the granting of timber rights on all forest lands "in a manner that secures sustainable management and utilisation of the timber resources of Ghana and to provide for related purposes". The Act introduces a new tool, the Timber Utilisation Contract (TUC), for the control of forest concessions. The system covers forests within and outside reserves, but excludes plantations. TUCs will not be allocated on lands with farms without the authorisation of the owners. The system ensures that concessions go only to properly equipped timber contractors capable of managing forests to government standards. Under TUCs, concessionaires are legally required to comply with pre-determined annual yields and strict forestry regulations, including environmental controls.

The Act establishes a Timber Rights Evaluation Committee, Chaired by the Chief Conservator of Forests, which is responsible for evaluating applications for TUCs, ranking them on merit through a competitive procedure. Companies applying for TUC's are required to submit various documents for assessment by the Committee, including a detailed harvesting plan, an assessment of the likely environmental effects of their operations, evidence of their financial ability to operate under the terms of the contract, and proposals to address the social needs of local communities.

TUCs will only be allocated to companies with the ability to permanently employ a professionally qualified forester. Concessionaires are required submit a plan of operations prepared by a professional forester every five years. Requirements for the contents of the plan and other forestry standards are being set out in a Logging Manual. Strict penalties have been introduced for any failure to comply with the act.

The new law requires all existing concession holders to renew their agreements under the terms of the Act within the next 6 months.

New afforestation fund

President Rawlings has announced that the Ghanaian Government is establishing a fund to assist the private sector to enter into large scale plantation projects. The fund will be managed by the Ministry of Lands and Forestry and will be financed from levies on the export of air dried lumber and through donor assistance. Timber companies, NGOs, commercial banks and other groups may all benefit from the fund.

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

	May	June	July
Ex Cameroon Fr.F/m3 FOB Douala LM			
N'GOLLON			
70cm+20% 60/69	1420	1370	1350
BOSSE 60cm+	1575	1550	1550
AYOUS 70cm+	1050	1025	1000
BIBOLO 60cm+	1450	1425	1400
SAPELE			
80cm+20% 70/79	1650	1650	1650
SIPO			
80cm+20% 70/79	1950	1900	1900
IROKO			
80cm+20% 70/79	1650	1650	1650
Ex Gabon Fr.F/m3 FOB Owendo LM			
ACAJOU			
70cm+20% 60/69	1225	1200	1200
DIBETOU 60cm+	1200	1200	1200
DOUKA			
70cm+15% 60/69	1200	1150	1150
SIPO			
70-79cm 10%/60/69	1725	1700	1700
80-99cm	1925	1900	1900
Ex Ghana DM/m3 FOB Takoradi			
FAS (excludes commission)			
6"+ avg 9" C/£	3786	3851	3857
6" + avg 9" DM/£	2.87	2.98	2.95
A.MAHOGANY AD			930
A.MAHOGANY KD			1060
EMERI AD			725
UTILE KD			1275
ODUM AD			950
ODUM KD			1150
SAPELE KD			1100
EDINAM AD			820
EDINAM KD			970
WALNUT AD			670
NIANGON AD			850
DANTA AD			650
DANTA KD			900
WAWA AD			480
WAWA KD			540
MAKORE AD			750
MAKORE KD			1050
Ex Cameroon Fr.F/m3 FOB			
FAS width 6"+, length 6'+			
SAPELE	3100	3100	3075
SIPO	3550	3500	3475
BIBILO	2900	2850	2850
N'GOLLON	3150	3150	3150
AFRORMOSIA	3700	3700	3600
IROKO	3300	3300	3400
Ex Gabon FR.F/m3 FOB			
FAS width 6"+, length 6'+			
OKOUME AD	2200	2000	2000
Ex Zaire Fr.F/m3 FOB			
FAS width 6"+, length 6'+			
SAPELE	3100	3000	2975
SIPO	3600	3400	3400
MAHOGANY	2850	2950	2950
AFRORMOSIA	3600	3600	3550
IROKO	3350	3300	3300
Ex Cote d'Ivoire Fr.F/m3			
Fr.F/£	9.63	10.01	9.89
FOB Abidjan FAS			
6"+ avg 9"-10"			
6"+ avg 10'-11'			
1"-2"			
IROKO	3300	3275	3300
SIPO	3500	3400	3400
MAHOGANY	2850	2850	2800
FRAMIRE	2150	2100	2050
SAMBA No.1 C&S	1550	1550	1550
AZOBE dim. stock	2000/	2000/	2000/
	2600	2600	2600
OPEPE dim. stock	1850/	1850/	1850/
	2450	2450	2450
Ex Malaysia M\$/ton			
C&F UK port M\$/£	6.20	6.49	6.84
DARK RED SERAYA/MERANTI			
Select & better GMS			
width 6"+ avg 7"-8"			
length 8'+ avg 12'/14'			
1-2" KD	2580	2580	2600
2.5" KD	2675	2675	2700
3" KD	2800	2800	2825
KERUING			
Standard & Better GMS			
1"-3"			
width: random or fixed			
length 16'+	1740	1740	1740
KAPUR			
Standard & Better GMS			
1"-3" plnd			
width 6"+ avg 7"-8"			
length 16'+	1800	1800	1800
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"			
Ex Brazil US\$/m3 C&F			
FAS US\$/£	1.63	1.67	1.66
6"+ avg 9-10"			
6"+ avg 10-11"			
MAHOGANY (Swietenia)			
1"-2" AD	1180	1160	1160
2.5"-3" AD	1200	1180	1180
1"-2" KD	1270	1250	1250
2.5"-3" KD	1290	1270	1270
VIROLA			
1" KD No.1 C&B			
boards	400	400	400
strips	370	370	370
CEDRO			
1"-1.5" KD	730	730	730
2" KD	760	760	760
2.5"-3" KD	790	790	790

Hardwood Markets

Agents are reporting that trade is winding down during the traditional summer holiday season. UK stocks are relatively low, but current levels of demand and nervousness about the national economy, seem to be discouraging importers from building up stocks during the summer months.

Asian Hardwoods

Prices for DRM and Seraya remain very low due to lack of demand in the Far East and the weakness of the ringgit, now trading at around M\$6.78 for one pound sterling, only 60% of the equivalent value this time last year. Markets in Japan and South Korea, that formerly bought the species in large volumes, have suffered a massive collapse. Lack of demand has meant that prices for DRM in M\$ terms have remained static at a very low level, increases in C&F prices being due to the increase in freight rates introduced formally by the Far Eastern Freight Conference on 1 July (and earlier by certain shipping lines). Freight rates have been raised by US\$300 per 40ft container, averaging around M\$60 per tonne, although rates can vary considerably between lines. Low prices have resulted in increased demand for DRM and this has begun to eat into demand for African Sapele. Significantly larger volumes of DRM are being traded than the same period last year, but lower prices mean poor financial returns for agents and producers. Meanwhile, there is very little interest in either Keruing or Kapur.

A particular difficulty for mills in SE Asia is that they are unable to off-load lower grade timber which, prior to the Asian crises, was sold into a vibrant regional market. Without a market for the lower grades, milling isn't economically feasible unless the higher grades can be sold at a high price. In the current market the only option for many loggers and millers has been to severely curtail operations, or even suspend them entirely. The market for low grade Asian material has taken a further hammering with the recent collapse of the rand in South Africa, a country that had been buying significant quantities. The irony is that, if there were a significant increase in demand for DRM in the autumn, there may only be limited volumes available for immediate processing and shipment and supply problems may quickly materialise. Supply difficulties would be intensified with the onset of the monsoon during October. There is some speculation that producers may then find themselves in a position to force up prices.

Indonesia remains an area of continuing uncertainty for the tropical timber trade. Export taxes on Indonesian sawn timber have been reduced to 10% of FOB. There are also plans to phase out taxes on logs over an 18 month period and replace these with increased rents and royalties in the forest. However there is little indication that significant volumes of sawn timber are being exported from Indonesia. Indonesian suppliers have informed agents that restrictions on

sawn timber exports are being maintained. In addition, the difficulties of trading with Indonesia remain acute as mills are unable to pay the costs of production due to lack of credit and high interest rates and there is a serious shortage of container space.

African Hardwoods

UK markets for African species have slowed with the onset of the summer holiday season. West Africa is also firmly entrenched in the rainy season and little activity is expected until September.

In common with most other tropical timber markets, the market for Sapele is relatively weak and slow. The species can no longer compete on price alone with Asian red woods and this has undoubtedly reduced market share. However, there remain a solid core of buyers loyal to the species, attracted by its good technical properties and the relative stability of prices and supply sources. Buyers that were badly burnt by rapid price rises for DRM during the early 1990s will be particularly unwilling to cut their ties with the species. Unlike DRM, the limitations of local infrastructure mean that buyers are unable to purchase relatively large volumes of kiln dried Sapele at short notice, and orders for the species need to be made well in advance. However Sapele supplies are relatively abundant, and many buyers have invested heavily in marketing the species.

Supplies from Zaire are now moving normally again after reports of delays and lack of transport capacity during June.

European markets for Iroko are relatively firm, with particularly heavy demand from Ireland and the Netherlands. The species also remains popular in North Africa and Saudia Arabia. However the species is no longer readily available in large volume.

South American Hardwoods

There is little activity in the UK's Brazilian mahogany market. Importers are showing little interest in forward contracts due to the high price of the species and the belief that current stocks are sufficient to meet existing low levels of demand for some time. Importers may also be waiting on developments in the on-going discussions between the National Hardwood Association and environmentalists over the mahogany trade and the threat of further demonstrations. Increased activity in the UK market isn't expected until September. However, strong US demand for Brazilian mahogany has ensured that prices are holding up. Demand for Brazilian species in other European markets, notably France,

is also reasonably bouyant despite pressure from Asian species.

Falling demand for Brazilian mahogany is reflected in import and consumption data for the last 12 months. Agents involved in the trade suggest that only around 8,000m³ of Brazilian mahogany have been imported since July last year, and consumption has been in the order of 5000 m³.

North American Hardwoods

UK markets and prices for American Cherry continue to be firm, particularly for 1". High Cherry prices also reflect strong demand for this species in the US and other export markets. US supply for this species is unable to keep up with demand. As is usual at this time of year, US Cherry production is low and most mills do not have large stocks of logs.

Tulipwood is readily available and US domestic demand for the species is reasonably firm. The UK market for the species is described as "firm to steady" and prices remain stable.

The market for Red Oak in the UK continues to strengthen and this is reflected in rising prices. Firming prices also reflect relatively strong demand for the species in the US and other export markets, including the Far East.

In common with other European markets, there is reasonably good UK demand for White Oak. However, US domestic demand for White Oak has been relatively slow. Prices have fallen slightly.

Unlike other European markets, Ash remains a favoured species in the UK and the market is relatively good. However US domestic markets and export markets elsewhere have been slow and this has contributed to falling prices for the species. Ash can be substituted for Red Oak, but the US market has a tendency to prefer Red Oak even when Ash prices are competitive. With

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

	May	June	July
\$/£	1.63	1.67	1.66
RED OAK			
1"	1760	1800	1850
1.25"	1830	1880	1950
1.5"	1930	2000	2030
2"	2100	2150	2280
WHITE OAK			
1"	1710	1700	1675
1.25"	1825	1760	1730
1.5"	2155	2155	2100
2"	2780	2780	2670
ASH			
1"	1250	1230	1230
2"	1580	1580	1560
TULIPWOOD			
1"	1080	1080	1080
1.25"	1130	1130	1100
1.5"	1170	1170	1160
2"	1250	1250	1250
CHERRY			
1"	3300	3350	3350
1.25"	3370	3370	3350
1.5"	3500	3500	3400
2"	3600	3600	3550
HARD MAPLE			
1"	2140	2100	1975
1.25"	2275	2200	2170
1.5"	2395	2395	2275
2"	2515	2500	2390

the demand for Ash so low in the US, many mills are refraining from sawing the species until they see some firming on price and this has reduced availability.

Prices for Hard Maple have continued their downward trend as the US has lost export markets for the species in the Far East. Prices however have not declined to the extent expected by some agents. This may be because US domestic markets for the lower grades of Hard Maple remain fairly good while production levels of the species are falling as much of the "winter cut" Hard Maple will already have been processed.

Clouds gathering over UK economy

There are signs that the UK economy may be in for a bumpy ride ahead. Following a review of various indicators in July, the Economist magazine concluded that "a sharp slowdown may be in store for Britain". Britain's manufacturing sector has contracted for two consecutive quarters, due largely to the slump in Asia and strong pound reducing the scope for exports. A CBI report released at the end of July is particularly gloomy, showing that export orders have fallen at the fastest rate in 12 years, while business confidence hit its lowest level in 7 years. Profits are beginning to falter falling in both the fourth quarter of 1997 and first quarter of 1998. A generally slowing economy is occurring just as inflation is rising,

which increases the chances of a sharper downturn. The Bank of England are caught in a dilemma, seeking to keep interest rates high to damp down on high levels of consumer spending which is fueling inflation, while manufacturing industry is calling for a reduction in rates to reduce the value of the pound. Britain's inflation rate rose to a six year high of 4.2% in the 12 months to May, twice as much as in any other large industrial economy. The inflationary process is being fueled by 6% annual growth in private sector pay. The Bank left interest rates unchanged at 7.5% at its meeting in mid July. Meanwhile the UK Government has announced increases in public spending, particularly for education and health.

Uncertainty in plywood markets

Economic and political turmoil in Indonesia continue to impact heavily on the international plywood trade. Prevailing conditions in Indonesia, coupled with a major contraction of markets in the Far East, notably South Korea and Japan, have led to chronically low plywood prices. Producers outside Indonesia are being undercut by Indonesian mills that are willing to sell at rock bottom prices in a desperate attempt to obtain hard currency, maintain cash flow and prop up their flagging industry. Indonesian mills are unable to finance their operations by any other means due to the lack of credit-worthiness of Indonesian banks coupled with high interest rates imposed by the IMF in an attempt to stabilise the rupiah. Despite being technically broke, many unprofitable Indonesian mills continue to operate due to lack of effective bankruptcy laws and procedures. Against this background, prices for Asian plywood continue to bump along the bottom with large volume buyers expecting to pay in the region of INDO96 less 28 for top grade BB/CC plywood. The future direction of the plywood market is difficult to predict. The only solution to the problem of low prices is for producers to cut production to match levels of demand. However, given Indonesia's current economic climate, there seems no likelihood that mills will cut production voluntarily. Some agents are speculating that Indonesian mills may be forced to cut production involuntarily and this will serve to push prices up later in the year. Log shortages may occur as Indonesian logging companies are unable to gain hard currency to finance their own operations. Shortages would be intensified

by heavy rains during the monsoon in October which are likely to be particularly intense this year due to the La Nina weather event. IMF inspired efforts to introduce more effective bankruptcy procedures may also have an effect. Other agents are more sceptical, pointing to the extreme weakness of demand in the Far East which is likely to undermine any efforts to push up prices. Certainly demand side trends are unlikely to encourage price rises: Korea's economy remains in the doldrums and buyers are having considerable difficulties obtaining letters of credit; there is a real threat of a major recession in Japan; the rate of growth in China's economy appears to be slowing; and domestic demand in both Malaysia and Indonesia is extremely weak. Brazilian plywood can't compete at the price levels currently being asked for Indonesian plywood, particularly as Brazilian government policy is to keep the value of the Real high and peg it to the value of the \$US. Although President Cardoso is under considerable pressure from exporters to drop this policy, no change is likely before Brazil's October election. Nevertheless small volumes of Brazilian plywood are being traded, partly because lower freight rates from Brazil are helping to offset its price disadvantage in relation to Indonesian plywood. Shipping plywood from Indonesia is also proving to be difficult due to a severe lack of containers. Recent shipments have taken up to 17 weeks to arrive. Brazilian plywood is being traded at prices ranging from K14 minus 18 to 24. The UK market for plywood is fair. Late arrival of shipments has led to a shortage of plywood which is serving to push up prices in the UK.

German Timber Trade Federations Merge

The two German Timber Federations, BD Holz and VDH merged on 1 July to form a joint association, the Gesamtverband Holzhandel (BD Holz - VDH). BD Holz represents 1700 companies in the timber wholesale and retailing sector, while VDH has 130 members representing the import trade for timber and timber based materials.

The merger has resulted from structural changes in timber markets and distribution channels, including the internationalisation of markets and increased import/export activities. The body aims to more effectively represent the interests of both the domestic and import trade. The new association consists of 3 foreign trade sections: international timber trade; industrial planing mills; and timber agents. The new association will have its headquarters at BD Holz-VDH e.v, Rostocker Str. 16, 65191 Weisbaden, Germany. VDH will move there on 1 September 1998.

UK Government Advisors recommend new planting

In a wide ranging report to the Forestry Commission, the UK's Home Grown Timber Advisory Committee recommends large-scale increases in planting. The report proposes a target of 275,000 hectares of new productive conifer planting, starting at 11,000 hectares a year, to counteract a dip in timber production expected about the year 2025. Identical targets for broadleaved woodlands are also proposed, principally for environmental benefits, but spread over a longer period.

French hardwood imports on the rise

First quarter figures for France indicate increased levels of hardwood imports. Imports to end March amounted to 556,868 m3 compared with 514,047 m3 for the same period last year. The figures reflect the current buoyancy of the French economy. A large proportion of French hardwood imports are in log form from Africa, notably Okoume from Gabon. First quarter log imports from Gabon amounted to 140,587 m3, compared with 115,957 m3 last year. First quarter log imports from the Cameroon were also up on last year, 57284 m3 compared to 48,178 m3, while Liberia has re-emerged as a source of logs. With regard to the French tropical sawn wood market, there are signs that importers are beginning to shift away from Brazilian to Asian hardwoods. First quarter imports of Asian hardwoods to France were 25,513 m3 compared with 15,944 m3 last year, while South American imports are less than last year. The French journal *Commerce International du Bois* notes that much of the Brazilian hardwood import at the beginning of the year was a consequence of contracts signed before the Asian crises. Volumes of Brazilian imports may therefore decline throughout the year.

	FRENCH HARDWOOD IMPORTS - 1998 FIRST QUARTER (JAN-MAR)					
	Logs		Sawn		Total	
	1998	1997	1998	1997	1998	1997
SOUTH AMERICA	-	38	39622	42723	39622	42761
ECUADOR	-	-	67	52	67	52
BRAZIL	-	38	39555	42671	39555	42709
AFRICA	233089	199610	31015	26586	264104	226196
LIBERIA	13709	-	-	-	13709	-
IVORY COAST	-	1974	9678	8616	9678	10590
GHANA	25	-	10999	9087	11024	9087
NIGERIA	-	-	150	74	150	74
CAMEROON	57284	48178	6036	6271	63320	54449
CAR	3410	1195	111	27	3521	1222
GABON	140587	115957	950	796	141537	116753
CONGO	18074	32306	3091	1715	21165	34021
ASIA	402	294	25111	15650	25513	15944
MYANMAR	329	294	4903	-	5232	294
INDONESIA	-	-	387	307	387	307
MALAYSIA	73	-	19799	15343	19872	15343
SINGAPORE	-	-	22	-	22	-
NORTH AMERICA	28203	11023	13940	18843	42143	29866
USA	7192	5565	19370	13911	26562	19476
CANADA	21011	5458	5343	4932	26354	10390
EUROPE	131372	144582	13861	7849	145233	152431
OTHER	25365	18679	14888	28170	40253	46849
TOTAL	418431	374226	138437	139821	556868	514047

Source:FFBTA/FFIBN

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	Mar. 1998	Apr. 1998	Cum. 1998
BOLIVIA	53		447
BRAZIL	2134	773	4657
BURMA	17	30	77
CAMEROON	1724	830	5615
COSTA RICA			13
GABON			74
GHANA	2062	2031	9316
GUYANA	459	234	1362
INDIA		30	30
INDONESIA	451	157	1230
IVORY COAST	1241	1623	5706
MALAYSIA	5978	3058	16779
MEXICO			11
NIGERIA	72	37	148
PAPUA N.G.	12	31	43
PERU	22		22
PHILIPPINES	114	42	291
SINGAPORE	467	96	774
SOL. ISLANDS		16	16
TANZANIA		25	90
THAILAND	63	65	188
TRIN. & TOB.			30
TOTAL	14869	9078	46919

UK IMPORTS SLEEPERS

Treated & Untreated

Classifications: 440610.00.0, 440690.00.0

m3	Mar. 1998	Apr. 1998	Cum. 1998
AUSTRALIA	920	746	2784
CZECH REP.	33		33
POLAND		18	18
RUSSIA		50	50
TOTAL	953	814	2885

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	Mar. 1998	Apr. 1998	Cum. 1998
BURMA			30
CONGO	104		239
CAMEROON	2470	2798	10599
ECUADOR			27
GABON	403	318	1800
EQ. GUINEA	157		157
INDONESIA		34	34
LIBERIA		240	240
MALAYSIA		134	229
MOZAMBIQUE			24
NIGERIA		186	269
PAPUA N.G.			87
SINGAPORE	27		80
TANZANIA			10
TOTAL	3161	3710	13825

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	Mar. 1998	Apr. 1998	Cum. 1998
BEECH			
CANADA		7	7
ROMANIA	80	17	158
BIRCH			
CANADA	87		97
ESTONIA	1757	1508	5790
LITHUANIA			34
LATVIA	335	309	926
POLAND	84	48	284
RUSSIA	108	71	401
OAK			
CZECH REP.		1	1
RUSSIA			103
USA	209	373	582
POPLAR			
USA	39		39
OTHERS			
AUSTRALIA	2	3	46
CANADA	277	153	767
CZECH REP.		14	14
ESTONIA	2343	4019	12469
LITHUANIA			173
LATVIA	4418	5271	23225
NORWAY			172
POLAND	60	42	195
RUSSIA			1161
USA	723	986	4284
S. AFRICA		12	12
TOTAL	10522	12834	50940

UK IMPORTS SAWN TEMPERATE

Classifications: 440791.90.0, 440792.90.0, 440799.91.0, 440799.93.0, 440799.98.0

m3	Mar. 1998	Apr. 1998	Cum. 1998
BEECH			
CANADA	14		98
POLAND			26
ROMANIA	27	138	362
RUSSIA			55
SERB. & MONT.			34
SLOVAKIA		24	24
USA			58
OAK			
CANADA	676	389	1862
CZECH REP.			8
HONDURAS	28		28
RUSSIA	17		109
SERB. & MONT.			22
SLOVAKIA	76	121	197
UKRAINE			172
USA	5704	6232	22519
POPLAR			
CANADA			93
LATVIA		98	98
USA	701	510	2479
WALNUT			
CANADA	5	105	112
USA	92	162	492
OTHERS			
AUSTRALIA		49	284
CANADA	1611	1012	4466
CHILE		31	135
CHINA	30		30
ESTONIA	1158	1850	4812
LATVIA	8212	8354	24873
LITHUANIA	49	50	168
NORWAY			84
POLAND	30		30
RUSSIA	194	68	631
S. AFRICA		66	126
USA	4828	4489	16597
TOTAL	23452	23748	81084

UK IMPORTS BLOCKBOARD,

LAMINBOARD, BATTENBOARD

Classifications: 441222.91.0, 441229.20.0, 441292.91.0, 441299.20.0

m3	Mar. 1998	Apr. 1998	Cum. 1998
BRAZIL	196	205	831
CHINA			64
CZECH REP.			40
INDONESIA	1727	944	6606
LITHUANIA			54
MALAYSIA	32		218
NORWAY			35
POLAND	19	32	51
SWITZERLAND		12	12
USA	143	202	348
TOTAL	2117	1395	8259

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	Mar. 1998	Apr. 1998	Cum. 1998
ARGENTINA	8		8
BELARUS	164	165	329
BRAZIL	9392	6062	38017
CANADA	2203	4082	30144
CHILE		571	1013
CHINA	244	384	1185
ESTONIA	819	728	2542
GHANA	28	114	252
GUYANA	80	42	1444
HONG KONG			1
INDONESIA	8756	13694	42991
ISRAEL	175	134	581
JAPAN		5	42
LATVIA	2848	2589	12284
LITHUANIA	1697	667	4247
MALAYSIA	9245	5990	30663
MOROCCO	75	127	352
NORWAY	299	210	1033
PHILIPPINES	30	10	78
POLAND	250	233	969
RUSSIA	7664	8341	29833
SINGAPORE	40		59
SLOVENIA		57	164
SOUTH KOREA	670	533	1203
SWITZERLAND	33	39	392
TAIWAN			7
USA	23890	5684	175150
TOTAL	68610	50461	374983

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	Mar. 1998	Apr. 1998	Cum. 1998
AUSTRALIA			2
BRAZIL		9	22
CAMEROON			11
CANADA	36	145	388
CONGO		90	116
GHANA	234	348	1056
HUNGARY			32
INDONESIA			124
IVORY COAST			32
LATVIA		48	77
MALAYSIA	17		68
RUSSIA	65	66	131
S. AFRICA	241	216	752
SINGAPORE	22	10	32
SLOVENIA	60	30	154
SWITZERLAND	83	1	114
THAILAND	16	8	174
USA	1112	1259	4337
ZAIRE	113	192	527
TOTAL	1999	2422	8149

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	Feb. 1998	Mar. 1998	Cum. 1998
BEECH			
DENMARK		148	148
GERMANY	20		20
SWEDEN			21
BIRCH			
FINLAND	4	10	14
OTHERS			
BELGIUM	44		44
FINLAND	883	77	960
FRANCE	1	90	91
GERMANY	92	50	142
IRELAND	22		34
NETHERLANDS	24	10	34
SWEDEN	1607	254	1861
TOTAL	2697	639	3369

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	Feb. 1998	Mar. 1998	Cum. 1998
AUSTRIA		29	29
BELGIUM	285	420	1328
DENMARK	175	80	345
FINLAND	4764	4536	13458
FRANCE	1277	5499	8436
GERMANY	265	1934	2672
IRELAND	250	368	783
ITALY	755	1126	2636
NETHERLANDS	239	171	523
SPAIN	308	362	1313
SWEDEN	534	822	1564
TOTAL	8852	15347	33087

INTRA E.C. UK IMPORTS BLOCKBOARD, LAMINBOARD, BATTENBOARD			
Classifications: 441222.91.0, 441229.20.0, 441292.91.0, 441299.20.0			
m3	Feb. 1998	Mar. 1998	Cum. 1998
BELGIUM		20	20
DENMARK	73	28	148
FINLAND	152	765	1093
IRELAND		1	8
ITALY	54	77	131
NETHERLANDS		452	531
SWEDEN		209	209
TOTAL	279	1552	2140

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	Feb. 1998	Mar. 1998	Cum. 1998
BEECH			
BELGIUM		33	158
DENMARK	176	93	496
FRANCE	5	38	176
GERMANY	2036	2857	7433
ITALY	9		9
OAK			
FRANCE	513	617	1451
GERMANY	94	149	360
IRELAND	1		1
NETHERLANDS	118	25	144
OTHERS			
BELGIUM	188	583	1976
DENMARK	146	11	324
FINLAND	232	289	804
FRANCE	172	126	1316
GERMANY	494	904	1738
IRELAND	2	57	164
NETHERLANDS	1031	879	1974
SPAIN	65	184	455
SWEDEN	1504	3087	6712
TOTAL	6786	9932	25691

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	Feb. 1998	Mar. 1998	Cum. 1998
BELGIUM	210	286	618
DENMARK	62	79	250
FINLAND	29		73
FRANCE	237	63	464
GERMANY	162	306	636
IRELAND	2	3	8
ITALY	21	15	61
NETHERLANDS	14	37	80
PORTUGAL	2	1	3
SPAIN	42		42
SWEDEN			23
TOTAL	781	790	2258

INTRA E.C. UK IMPORTS SLEEPERS TREATED & UNTREATED			
Classifications: 440610.00.0, 440690.00.0			
m3	Feb. 1998	Mar. 1998	Cum. 1998
FRANCE	89	909	1131
SPAIN		610	610
SWEDEN		52	52
TOTAL	89	1571	1793

Based on Abacus Data Services

Science report denies validity of sustainable logging

A controversial report denying the effectiveness of "sustainable logging" as a means of maintaining forest cover in the tropics has been published in the journal *Science*. The report was prepared by an analyst employed by the US-based environmental organisation Conservation International. The report has been criticised on the grounds that the authors attempt to extend conclusions drawn from their experience of mahogany exploitation in South America, to other areas of the tropical world.

The report was written as a critique of a recent World Bank proposal to lift its ban on logging investment in tropical forests. It suggests that the promotion of sustained yield logging is an inefficient way to achieve conservation results and curb deforestation. The authors argue that tropical logging will inevitably have a negative impact on bio-diversity. They also suggest that efforts to introduce sustained yield management of tropical forests can be ineffective because governments may lack the will or ability to effectively control logging when cash is badly needed for economic development.

To avoid these problems, the authors suggest a one-off harvest of all the valuable timber species in an area of tropical forest, followed by complete closure and preservation as a reserve. The authors believe this strategy would work for mahogany because valuable trees are well dispersed and a single one-off entry into the forest would do less ecological damage than sustained yield harvests over a long period. This strategy for natural forest management could be

linked to increased funding for plantations in areas that are already degraded and increased investment in existing parks.

The limitations of this strategy have been stressed by the World Bank who noted that, from an environmental perspective, these ideas were inappropriate for tropical forests with a heavy concentration of valuable tree species. The initial one-off harvest would be so intense that it would lead to irreversible damage to the forest eco-system. In many tropical areas, including South East Asia and West Africa, controlled logging to strict rules governing the annual allowable cut prevents complete devastation of tropical forests.

Nor would the approach work in areas, common throughout the tropics, where there is intense population pressure. Under such conditions, some type of forest management for economic gain, including timber extraction, may well be the only development option that most people have. If the local population perceive that forests are not providing a long term economic gain, the pressure to convert to economically more rewarding land uses will tend to mount. Such pressures are very evident in many parts of West Africa where forestry departments have to work overtime to prevent local people from erasing natural forest in favour of cocoa plantations. In the words of a World Bank spokesman "if you do nothing, you are certain to lose the forest".

Based on information supplied by Reuters.

Guyanese riots damage economy

Politically motivated riots in Guyana's capital Georgetown are having a severe impact on Guyana's economy which is already suffering from a severe drought and a series of forest fires early in 1998. Overall trade has fallen by 30% since the beginning of the year and GDP growth may well be below the finance minister's projected growth of 3.2%. Last year growth was considerably higher, at 6.3%.

The riots have developed as protestors have sought to unseat President Janet Jagan following her win in a disputed general election in December. The protests have been led by the People's National Congress (PNC) whose leader, Desmond Hoyte, claims that Mrs Jagan rigged the election. Members of PNC have refused to take their seats in parliament. In response, Mrs Jagan has accused Mr Hoyte of seeking to destabilise the country and discredit her government. In January 1998, the PNC had pledged an 18 month suspension of protests in exchange for a government pledge to shorten its terms of office from 5 to 3 years and permit an independent audit of the election. However, a special commission of Caricom, the Caribbean trade group, found no evidence of fraud.

The Government has recently reached an agreement with the IMF involving the input of \$70 million in aid into the national economy dependent on Guyana modernising its financial sector, further privatisation and reform of public institutions.

UNITED STATES HARDWOOD LUMBER EXPORTS - TOP 30 EXPORT NATIONS				
m3	Year 1997	Jan-May 97	Jan-May 98	% Change
CANADA	906334	416973	354041	-15.09
JAPAN	246443	105284	56930	-45.93
ITALY	208384	86979	83502	-4.00
MEXICO	170994	70519	81747	15.92
GERMANY	168872	72626	57457	-20.89
TAIWAN	151579	65008	44480	-31.58
SPAIN	148937	51621	65668	27.21
UNITED KINGDOM	125928	51139	60033	17.39
HONG KONG	125912	50139	42170	-15.89
SOUTH KOREA	96409	55568	7567	-86.38
BEL-LUX	82182	40429	35668	-11.78
THAILAND	48558	19231	13480	-29.90
FRANCE	44206	21451	19821	-7.60
SOUTH AFRICA	42770	16425	11534	-29.78
NETHERLANDS	39403	17680	13202	-25.33
CHINA	34461	11799	12101	2.56
PORTUGAL	20308	8549	10942	27.99
DENMARK	19466	7645	8763	14.62
SWEDEN	18247	7007	8666	23.68
INDONESIA	16528	6766	6070	-10.29
SAUDI ARABIA	16226	6572	7370	12.14
AUSTRALIA	14803	4999	6012	20.26
IRELAND	12818	5236	5829	11.33
MALAYSIA	12698	5451	7192	31.94
NORWAY	11725	4937	3680	-25.46
GREECE	11213	4715	4818	2.18
SINGAPORE	10660	4470	2357	-47.27
FINLAND	10116	4093	2785	-31.96
EGYPT	9387	3238	4222	30.39
UNITED ARAB EMS.	8020	2782	2834	1.87
REST OF WORLD	55953	22904	23158	1.11
TOTAL	2889540	1252235	1064099	-15.02

Source: US Bureau of the Census & FAS/USDA

Declining US Hardwood Exports to Asia

Data on US hardwood exports provides an indication of the extent of the market collapse in South East Asia. US hardwood exports for the first five months of 1998 amounted to 1,064,099 m3 compared to 1,252,235m3 last year, a fall of 15%. Imports into Japan have fallen to only around 56% of levels last year, while South Korean imports are 86% down on last year. Other significant falls are apparent in Taiwan, Hong Kong, and Thailand. South Africa's 29% fall compared with last year is an indication of the weakness of the rand, another knock on effect of the Asian crises. European markets for US lumber appear mixed. Some markets, including the UK, Spain and Portugal, have absorbed greater volumes of US hardwoods and served to offset losses in the Far East. Hardwood exports to the UK are up 17% on last figures for the 5 monthly period, amounting to 60,000 m3. Spain's imports are up 27%. However significantly lower levels of US hardwoods are being imported into Germany (down 21%) and the Netherlands (down 25%). Reports in *Hardwood Review Export* suggest that buyers in these countries have turned to purchasing European White Oak of Beech rather than North American hardwoods. There are some hopes that European business for US hardwoods will improve marginally in the autumn.

Robust response by UK importers to mahogany threat

UK importers of Brazilian mahogany are living under the threat of environmentalist demonstrations if they continue to trade in the species. The threats have followed on from the apparent unwillingness of IBAMA, the Brazilian Government Environmental Agency, to endorse a Pilot Log Tracking Project for Mahogany. The project, which had been drawn up by the Soil Association with input from UK industry representatives and environmentalists, was due to take place during this year's logging season. AIMEX, the exporters association for Para state, the main source of Brazilian mahogany, had also backed the project conditional on unequivocal Brazilian government support. The project was intended to offset the negative publicity surrounding trade in the species and to demonstrate the industry's commitment to responsible and legal trading.

The Timber Trade Federation is continuing its efforts to persuade the Brazilian Government to endorse the project, which is now unlikely to go ahead until the summer of 1999, if it all. However, Reforest the Earth and Friends of the Earth are threatening importers with direct action demonstrations unless they agree to immediately suspend trade in Brazilian mahogany. Both groups also rejected an offer of trips to Brazil, funded by the trade, to enable them to judge conditions on the ground for themselves. The TTF has taken a robust line in responding to these threats. In a statement released following a meeting of signatories to the National Hardwood Association/AIMEX Accord at the end of June, the TTF stressed that "those who advocate UK withdrawal from the Brazilian mahogany trade must accept that such an action would lead to the UK losing any ability to influence the development of environmental improvement in Brazil". The TTF also announced an extension of the Accord to states other than Para, the major source of Brazilian mahogany exported to the UK. It is now proposed that the Accord should also apply to exports from Amazonas, Rondonia, Acre and Mato Grosso. Under the Accord, exporters are required to demonstrate the legality of timber supplies through the provision of relevant legal documentation including forest management plans and logging authorisations approved by IBAMA. While the Accord has placed an extra obligation on producers to provide legal documentation, it has been criticised by environmentalists for lack of independent third party involvement during its development and implementation, criticisms the TTF hope to address through the Log Tracking Project.

WWF criticised for Brazilian protected areas strategy

Brazilian social and environmental organisations have criticised the campaign led by the WWF, and supported by the World Bank and Brazilian Government, to conserve some 10% of the Amazon region through the establishment of a series of forest reserves. Criticism has focused on the WWF's apparent emphasis on an arbitrary figure of 10% protection without proper regard for prevailing conditions in the Amazonian region.

Following lobbying by the WWF and World Bank, the Brazilian Government announced a plan on 29 April to create 25 million hectares of new totally protected areas in the Amazon rain forest by the year 2000. Four protected areas covering 600,000 hectares are being created immediately, two in the Amazon region and two in the Atlantic forest. WWF and the World Bank hope to encourage other countries to follow Brazil's lead and pledge to ensure that at least 10% of each forest type is totally protected by the year 2000.

However, a number of environmental organisations have expressed concern about the implications of this target for Brazil. The Brazilian NGO and Social Movements Forum for Development and Environment; Rubbertappers National Council; the Amazon Working Group; and the Brazil Network on Multilateral Financial Institutions released a statement July 1 saying the plan fails to take into account the rights and livelihoods of local populations, nor does it recognise the economic realities of Brazil. The groups note that "*we do not oppose the creation of new conservation areas...on the contrary we consider the system of protected areas currently in existence as insufficient to protect the Brazilian ecosystem..in addition we consider that the quantitative goal of this campaign, 10% before the year 2000, as randomly chosen,*

inadequate and ignorant of the reality of Brazil. For the effective protection of the Amazon - 85% of which survives today - 10% is an unacceptable goal. On the other hand, 10% is most probably excessive for the exclusive creation of totally protected areas when there is as yet no dependable data to establish the availability of such a large amount of land without the presence of indigenous populations or extractivists." The groups also find it difficult to understand the arbitrary selection of a year 2000 deadline, suggesting that currently less than 4% of the Amazon is reserved in totally protected areas and a major part of that has only been formed on paper. The groups stress the importance of ensuring parks are properly planned in advance, in consultation with local populations, and backed by adequate financial resources to ensure proper management.

The Executive Director of the WWF in Brazil has responded to these criticisms stating that the process for selecting and setting aside protected areas will consider the views of traditional forest peoples and other local interests through a series of national and state workshops. He also noted that the "WWF has never affirmed that conservation in the Amazon should be limited to 10% of its area, nor that protection should consist exclusively of full protection conservation units." Given this last statement, it seems a little odd that in the publicity material relating to the WWF/World Bank initiative in Brazil, no reference was made to the 100 million hectares of Indian reserves and 13 million hectares of National Forests already in existence in Brazil's Amazonian region. In both forest categories, logging is allowed subject to strict control, but these areas also perform important forest protection functions.

Surinam increases area of tropical forest reserve

A vast nature reserve, to be totally protected from logging, is being created in the Amazon forests of Surinam. The Central Surinam Wilderness Reserve will protect around 1.6 million hectares of tropical forest. The reserve covers almost 10% of Surinam's total land area. The environmental organisation, Conservation International secured private funding to establish a \$1 million trust to cover the management costs of the newly protected area. It is also helping Surinam develop a conservation strategy based on non-timber forest products, agro-forestry and ecotourism.

Forestry jobs in Guyana

The Iwokrama International Centre for Rain Forest Conservation and Development in Guyana is seeking a number of professionals to fill key posts funded by the UK Department for International Development (DFID). The Centre is responsible for the management, conservation and sustainable development of 360,000 hectares of tropical rain forest. The centre is seeking a social scientist, wildlife expert, training co-ordinator and GIS specialist. For further details of the Centre and posts contact David Cassels, Director General, Iwokrama Centre for Rain Forest Conservation and Development, 41 Brickdam, Georgetown, Guyana. Phone (592-2) 51504, Fax (592-2) 59199

Slow pain of IMF reform Continued from back page

Indonesia saw its prospects brighten marginally on July 16th when it reached a new agreement with the IMF to provide a further \$US6 billion on top of the \$US41 billion already agreed on. This, together with a plan to reschedule part of the country's US\$54 billion national debt, helped boost the value of the rupiah which had fallen to less than 20% of its value a year ago. But the President has yet to demonstrate that he has a coherent strategy to restore business confidence, or to encourage the ethnic Chinese business leaders to return.

ASIAN ECONOMIES		
GDP % CHANGE FORECASTS		
	1998	1999
CHINA	6.7	7.2
HONG KONG	-0.9	1.7
INDONESIA	-15.5	-0.6
MALAYSIA	-2.7	0.6
PHILIPPINES	1.6	3.2
SINGAPORE	0.9	2.9
SOUTH KOREA	-4.9	2.1
TAIWAN	4.9	5.1
THAILAND	-7.3	1.1

Source: The Economist poll of forecasters July

Their continue to be fears that Japan's recession will be deep and long as the yen bumps along at around 140 to the \$US. The only faint flicker of hope is that Japan might be able to stimulate its economy once the July 24 election is out of the way. In the meantime, the weak yen has pushed up import costs and projections for imports of forest products are now showing a fall of 28% over last year. Housing starts in Japan during May were down 17% from the same month last year, the 17th consecutive monthly fall, and are projected to remain slow

for the rest of the year. First quarter import figures indicate that southsea and North American log imports were both down 31.8% over the same period last year, while North American lumber imports were down by over 50%.

South Korea is struggling with rising levels of unemployment, now forecast to reach 3 million this year. Financial workers are staging daily walk outs to protest against bank closures. The South Korean government is attempting the impossible, to prevent excessive unemployment while forcing inefficient banks and debt ridden conglomerates to rationalise their operations. The construction industry has shrunk to such an extent that construction permits for commercial sites issued during the first 4 months of 1998 were 70% lower than the previous year. Of the 10 big furniture manufacturers in the country, 7 are under receivership and one company has been liquidated. The Korean Institute of Finance reports that the wood and furniture industry showed a contraction of 100.2% in their business activities during the first 4 months of this year. Despite extremely low stocks of hardwood logs there are few buyers and minimal imports. Imports of plywood have ground to a halt as buyers have been unable to obtain credit.

China and Taiwan are the only major South East Asian economies that continue to look forward to reasonable levels of economic growth over the next 2 years. But even here, the prospects for further growth are being severely undermined by declining export markets, while domestic demand has also fallen. It's now predicted that China's GDP will rise by around 6.7% during 1998, considerably less than the government target of 8%. Falling prices in China are fueling concerns that the government will bow to exporters calls for a devaluation of the yuan, setting in motion a new round of competitive devaluation throughout the region.

Indonesian reform

The political and economic turmoil in Indonesia has highlighted the inefficiencies and corruption that prevailed in parts of the country's forest sector. Some recent government measures aimed at reform are reported below.

Funds confiscated

According to a report from Agence France Presse, the Indonesia's new government has confiscated millions of dollars of reforestation funds from firms linked to former President Suharto. The report is based on a statement from Muslimin Nasution, Indonesia's Forestry and Plantations Minister. The Minister stated that the funds had been retrieved following an investigation of the previous administration's practice of rerouting money into Suharto-linked firms. According to Nasution, the funds retrieved included 80 billion rupiah in credit awarded to Suharto's grand son Ari Sigit for a fertilising project. In addition, a 200 billion rupiah reforestation fund that was going to be awarded to a firm owned by Muhammad "Bob" Hasan had been withheld. A large proportion of reforestation funds had reportedly been rerouted into the airplane manufacturing company PT IPTN during the Suharto Administration.

Increase in fees

According to ITTO's Market News Service, the Minister has also said that, due to the serious depreciation of rupiah the against the dollar, he is considering revising the dollar/rupiah exchange rate used in the computation of reforestation fees from the present Rp5000 to one US dollar, to Rp10,000. Reforestation fees are currently set at US\$12/m³ and US\$16/m³ depending on species, but payments are made in rupiah. The change in exchange rate will therefore effectively result in a doubling of the reforestation fee.

Reduction in concession holders

The Indonesian government is reportedly considering cutting the number of private forest concession holders from 473 to 50 within the next five years to boost efficiency through mergers. Of Indonesia's 143 million hectares of forest, 61.7 million hectares are being handled by private forest concession holders, while the remaining areas are under the control of six state run timber companies, Perum Perhutani and PT Inhutani I through to 5, and other government agencies. It is estimated that only 64 million hectares of productive forests remain.

Reductions in export duties

IMF have argued for reductions in export duties on logs and sawn timber aimed at increasing the efficiency of the plywood industry by opening it up to international competition. Innoprise Market News Scan reports that duties on logs were reduced to 30% in April, while duties on sawn timber have been reduced to 20%. It is noted however that "at such rates, it appears unlikely that export will be more favourable than local processing".

Meetings

Second Session of the Inter-governmental Forum on Forests, Geneva, 24 August - 4 September. Papers for the meeting can be obtained on the internet, including a detailed review of activities carried out by governments, industry and NGOs to develop and promote sustainable forest management since the UNCED 1993; and background notes on "Trade and the Environment", the "Causes of Deforestation"; and the "Supply and Demand of Forest Products": www.un.org/esa/sustdev/iff

European Timber 98 - Wednesday 30 September - Thursday 1 October. Organised by a private consultancy with a wide range of speakers from the European forest sector. The meeting will concentrate on recent changes in the European forest sector, including the effects of rationalisation and restructuring; and on various timber marketing and promotion issues. Details, AiC Worldwide, 2nd Floor, 100

Hatton Garden, London EC1N 8NX, UK, Fax: +44 (0) 171 242 2320

UN/Economic Commission for Europe, Timber Committee, 55th Session 28 September - 1 October 1998, Palais des Nations, Geneva. Government session open to non government observers. Discussing "Sustainable forest management in Europe - follow up to the Lisbon Ministerial Conference; follow up to CSD/IPF and contribution to IFF". Information available from Timber Section, ECE Trade Division, Palais Des nations, CH-1211 Geneva 10, Switzerland, Fax: +4122 917 0041; provisional agenda and other documents available on <http://www.unece.org/trade/timber>

TTJ 1998 Trader of the Year and Environmental Initiative of the Year Awards: 15 September 1998, Savoy Hotel, London. Bookings, Julia Baker, 01732 377516

Nationalisation of Solomon Islands logging industry

According to a report from Agence France-Presse, the Solomon Islands is taking steps to "nationalise" its logging industry. According to the Solomons Islands Forest Minister, Hilda Kari, the private industry long dominated by overseas firms, had failed to ensure an improvement in the living standards of forest owners within the state. She also claimed it would be easier to control and promote sustainable management within a nationalised industry. The opportunity for nationalisation has arisen due to the closure of the logging industry in the wake of the Asian economic collapse. Membership of the Solomon Islands Forest Industry Association is now down to only 5 members. It's not entirely clear what "nationalisation" will actually involve, but it seems likely the government will assist local operators to take over any concessions abandoned by foreign operators. The Minister noted that Solomon Islands forest owners will now need finance to obtain logging machinery and equipment as well as information and training in the management of logging operations. Markets will be secured through the Government owned Timber Monitoring Unit funded with Australian aid.

Pressure to reduce Papua New Guinea export levies

Papua New Guinea's Forest Industries Association is putting pressure on the PNG government to encourage a reduction in log export levies. Export taxes for PNG logs currently average 25% of FOB value and a reduction of 13% in rates has been proposed. The tax was originally introduced to discourage log exports and promote downstream processing in PNG. However the logging industry is currently in a critical state as log prices have collapsed in the wake of the Asian economic crises.

The figures are certainly alarming. Industry sources suggest that 10,000 people have lost their jobs as a result of the closure of forestry operations since the beginning of the year. PNG's log exports in the first four months of 1998 fell 40% to 583,000 m³. Average FOB prices in April were US\$58 per m³, down 53% on the same month last year, and down 28% since January. Total export earnings from PNG's forest sector fell 67% from US\$125 million during the first quarter of 1997, to only US\$41 million for the same period this year. The Forest Industries Association is arguing that a reduction in levies is necessary to allow them to maintain limited operations and a presence in export markets. Industry's concern is to avoid a total shutdown of operations which

may result in a permanent loss of export markets. They have also lobbied for dispensations of timber permit conditions to allow selective harvesting of premium species which continue to find a market in Australia.

To back their case, the Industries Association have stressed that logging companies, with assistance from Australian forest rangers, have made significant progress in implementing a new Logging Code of Practice, felling and machine operator training and certification, and forest monitoring and control has been by the over recent years. They say that "all these efforts will be a waste of time and money if there is no industry". The industry has taken out full page advertisements in the national press in support of their stance.

However the World Bank has so far opposed moves to reduce the log export tax, insisting that the industry should hang on until the situation in the market improves. There has been particular concern about the environmental implications of a reduction in the tax, a move which some commentators believe would only encourage firms to log as fast as possible and sell at any price to obtain much needed foreign exchange. Environmental groups, notably Greenpeace, have been actively campaigning to prevent moves to reduce the export levy.

Reports of illegal log exports from Cambodia

A long running campaign, promoted by the environmental group Global Witness, criticising forestry practices in Cambodia recently caught the eye of the UK press. An article in the Mail on Sunday on 12 July reported on the alleged illegal export of logs from Cambodia to Vietnam where they are used for the manufacture of garden furniture which is subsequently imported into the UK. It is claimed in the article that UK companies are selling garden furniture made from the timber with labels claiming that the product is environmentally friendly and derived from forests managed "under strict government regulations". There appears to be strong evidence to support the main thesis of the article, that significant quantities of illegally extracted Cambodian logs are exported. An FAO report prepared by Cambodia's Department of Forestry and Wildlife and published in September last year states that "most current logging activities are illegal and, although since January 1995 the Royal Government has imposed a complete ban on logging, this has had little impact in the field. The 1995 production of logs is estimated at 1.5 million cubic meters, the same as prior to the introduction of the ban". The report goes on to say that the volume of logging in Cambodia's forests has increased since the beginning of the 1990s because it "was the main revenue source at the dis-

posal of different factions before the 1993 election and because it continues to be one of the major sources of income for many rural people. Moreover, the insecure situation favours illegal logging and transportation to foreign countries". These illegal activities are contributing to substantial revenue loss to Cambodia.

With around 60% (12 million hectares) of the land area under forest, Cambodia is one of the most heavily forested countries in the world. However, localised population concentrations, a civil war that lasted two decades and the recent dynamics of wood supply and demand have led to the loss of 2 million hectares of forest in the last 20 years. If anything, a return to peace and stability brought accelerating demands on the forest resource with growing pressure to convert land for agriculture and increased demands for building materials and fuel wood. Based on an allowable cut of 10 cubic metres per hectare, which is low, and on a thirty year cutting cycle, it is estimated that Cambodia's annual allowable cut would be around 730,000 cubic metres.

The challenges faced in Cambodia's forests are being tackled through an extensive government programme to revise national forest policy and a World Bank Technical Assistance Programme. The TA programme includes four project elements including: the control of illegal logging and

log verification; forest concession management; forest policy reform; and legal council assignment. Cambodia has also recently joined ITTO and subscribes to Objective 2000. In addition to the legal ban on log exports, Cambodia has introduced lower royalties and taxes on value added products to provide the industry with incentives to develop further processing facilities in the country. These measures have been linked with substantial increases in harvest royalty levels to generate income for sound forest management.

Cambodia also has a 2 phase forest industry development programme, with Phase I due to take 5 to 10 years, in which the emphasis is meant to be on the development of high quality sawn wood and veneer/plywood production. Phase II will begin 10 years hence and will aim to encourage the development of particleboard, MDF and other panel products facilities in the country.

In a report released last year Global Witness acknowledged that the Government of Cambodia "has made incredible progress in developing the basis of a well managed forest policy". However, they also claim that forestry officials are at present finding it impossible to implement the policy due to illegal operations actively supported by the army and high-level politicians.

Slow pain of IMF reform

Despite IMF assistance to Asia's three most afflicted economies, Thailand, Indonesia and South Korea, these remain in a critical condition. IMF inspired measures haven't produced the hoped for results and this is encouraging calls for rebellion against the prescribed treatment. Countries that had avoided many of the worst ravages of the initial currency devaluation, are now threatening to sink with their neighbours.

The effects of the regional economic meltdown on the international timber trade has been profound. Major timber markets in the region have been crippled, leading to critically low prices and trade volumes. Producers have been forced to curtail logging and suspend milling operations. Many mills have closed, a process helped along by swingingly high interest rates, lack of credit, and the weakness of national currencies. Technically bankrupt Indonesian plywood mills somehow continue to operate as their owners, including many absentee Chinese pushed out during Indonesia's riots in May, desperately seek to maintain cashflow. These mills are flooding an unreceptive market with a dirt cheap product, undermining the efforts of other producers in the region who have cut back on production in the hope that prices might eventually begin to recover.

Despite the desperate efforts of national governments to reform creaking financial systems, introduce credible bankruptcy laws, dismantle large unprofitable enterprises and stabilise economies, it's likely to be at least 2 years before there will be any significant improvement. There is no shortage of statistics to attest to the depth of the continuing recession. In April, Indonesia's imports of all commodities declined more than 70% over the same month in 1997. 20,000 South Korean firms have gone bust so far this year. There are expectations that South Korea's GDP may fall by as much as 8% this year, Thailand's by 6%, and Indonesia's by at least 15%.

Meanwhile the IMF-inspired reforming efforts of national governments are perceived by their own citizens as making the situation worse, appearing to increase unemployment, push up prices, and deny affordable credit to smaller firms. This may encourage some governments to break ranks. Already Mahithir Mohamad, Malaysia's prime minister, has tried to force interest rates down against the wishes of the national bank and Minister of Finance and despite the threat of a further weakening of the currency.

Continued on page 10

SHARE PRICES FOR SOME U.K. COMPANIES

	52 Week High	52 Week Low	02-Mar	01-Apr	26-May	20-Jun	30July
J. Latham	203.5	168.5	189	201	201	201.5	171.5
Meyer International	445.5	299.5	379	396	430	382	299.5
Travis Perkins	628.5	457	558	609	605	549	468.5
Barratt Devs.	341	221	281	320	326	287	237
John Laing	397.5	309.5	315	366	361	394.5	383.5
Alfred McAlpine	181.5	115.5	151	176	168	161.5	133.5
J. Mowlem	150	77.5	86	123	125	149.5	140.5
George Wimpey	143.5	92.5	124	126	131	126	103
Cornwell Parker	182.5	119.5	181	159	152	151	120

EXCHANGE RATES FOR ONE POUND STERLING

		03-Apr	22-May	23 June	24 July
Australia	Aus.\$	2.5222	2.5838	2.7495	2.6697
Bangladesh	Taka	76.8558	75.6358	77.4369	78.1296
Belgium	Belgian Fr.	63.2606	59.2180	61.8942	60.8614
Belize	B\$	3.3199	3.2672	3.3450	3.3176
Bolivia	Boliviano	9.0966	9.0011	9.2232	9.2064
Botswana	Pula	6.4596	6.3695	6.919	7.6710
Brazil	Real	1.8891	1.8813	1.9313	1.9336
Fr. Africa*	CFA Fr.	1027.560	962.750	1005.98	989.480
Chile	Peso	754.862	740.919	761.85	771.093
China	Yuan	13.7439	13.5256	13.86	13.7342
Denmark	Danish Krone	11.6934	10.9422	11.4307	11.2470
France	Franc	10.2756	9.6275	10.0609	9.8948
Germany	D-mark	3.0664	2.8708	3.0011	2.9507
Ghana	Cedi	3844.45	3785.88	3851.12	3856.72
Guyana	Guyanese \$	239.531	235.729	241.62	252.635
Hong Kong	HK\$	12.8625	12.6563	12.9527	12.8528
India	Rupee	65.5598	66.4222	71.4576	70.5405
Indonesia	Rupiah	14441.60	17888.0	23943.92	23389.1
Irish Republic	Punt	1.2182	1.1410	1.1917	1.1740
Italy	Lira	3024.68	2831.11	2956.56	2910.95
Japan	Yen	223.662	221.688	230.939	233.609
Kenya	K. Shilling	98.8086	103.244	99.46	98.2010
Korea South	Won	2401.95	2260.09	2329.79	2066.45
Malaysia	Ringgit	6.2912	6.1999	6.6194	6.8426
Myanmar	Kyat	10.3775	10.2059	10.47	10.3703
Netherlands	Guilder	3.4548	3.2353	3.3824	3.3263
Nigeria	Naira	36.3297	35.7530	143.93	142.922
Philippines	Peso	65.1531	63.1387	69.3252	69.8356
Portugal	Escudo	314.063	293.966	307.406	301.653
Singapore	Singapore \$	2.7033	2.6718	2.7646	2.8370
South Africa	Rand	8.3695	8.3134	9.2155	10.2597
Spain	Peseta	260.396	243.937	254.596	250.537
Taiwan	\$	54.7294	54.9061	57.4304	57.0138
Tanzania	Shilling	1078.88	1056.86	1091.03	1096.72
Thailand	Baht	68.1411	64.2414	69.2416	67.8449
Uganda	New Shilling	1913.92	1976.66	2042.28	2028.71
U.S.A	US \$	1.6600	1.6336	1.6725	1.6588
Venezuala	Bolivar	870.852	876.680	909.23	930.587
Vietnam	Dong	21544.5	21205.8	21735.22	21551.1
Zimbabwe	\$	26.7806	29.8949	30.01	30.8123

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

SUBSCRIPTIONS

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