

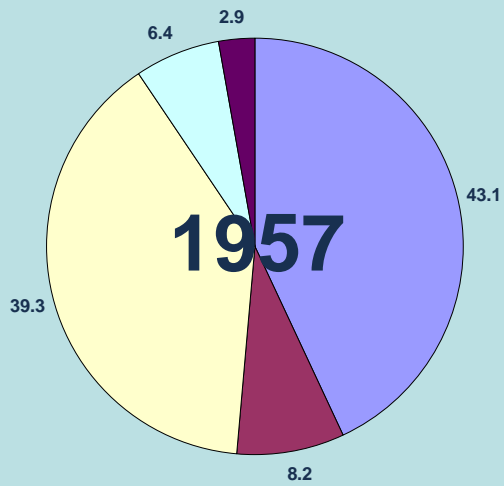
NATIONAL OUTLOOKS FOR FORESTRY

- MALAYSIA

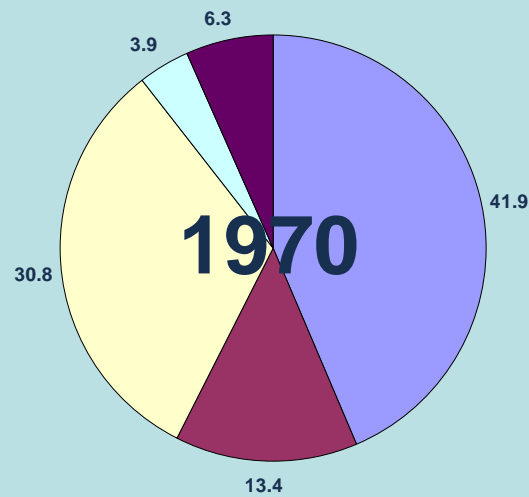
by

AZMI NORDIN

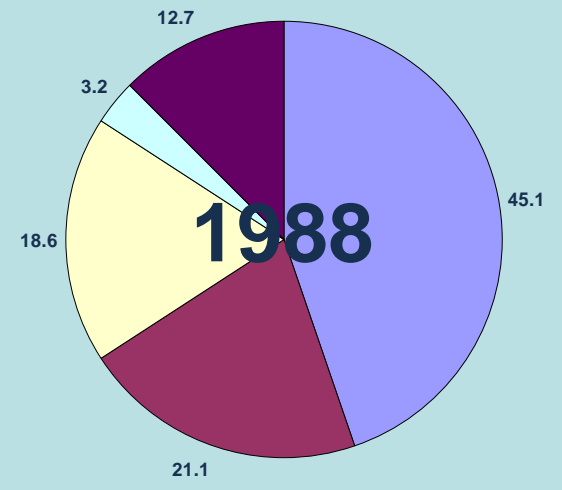
MALAYSIA'S DEVELOPMENT PROGRESS (%)



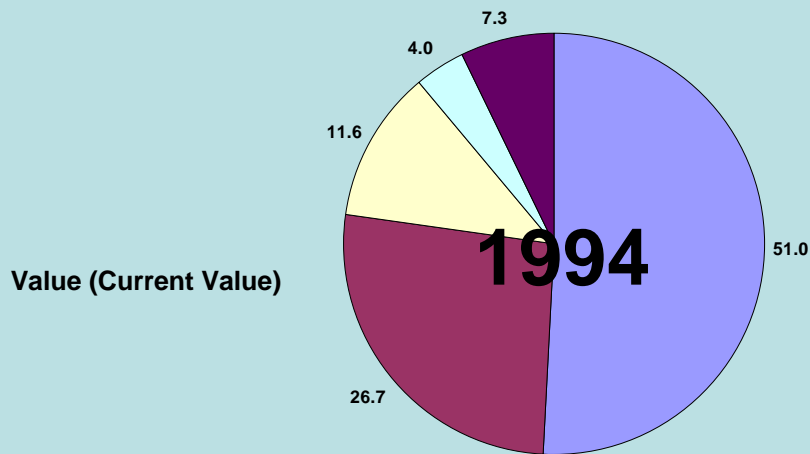
RM 5,126 Million
USD 1,685 Million



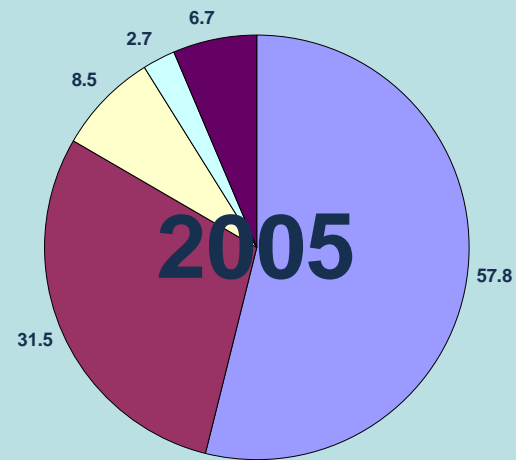
RM 11,829 Million
USD 3,841 Million



RM 92,370 Million
USD 35,281 Million



RM 195,461 Million
USD 74,515 Million



RM 487,379 Million
USD 128,389 Million

Value (Current Value)

Source:
Bank Negara Malaysia
Malaysia Central Bank

- Services
(Excluding Bank Charges & Import Duty)
- Manufacturing
- Agriculture
- Construction
- Mining

OUTLINE OF PRESENTATION

1. INTRODUCTION
2. STATE OF THE FORESTRY SECTOR
3. TRENDS AND CHALLENGES
4. PROBABLE SECENARIO IN 2020

1. INTRODUCTION

- Follow up to the first Asia-Pacific Forestry Outlook Study undertaken in 1996.
- Assess and analyze the status, past trends and the probable scenario of the Malaysian forestry sector in 2020.
- Examine, among others, the extent of the forest resources, management and conservation practices, forest development, forest plantation establishment, wood supply, wood-based industries, forest ecosystem services, and institutional frameworks.
- Contribute to better informed national policy development and planning, including investment by the private sector and in international policy dialogues.

2. STATE OF THE FORESTRY SECTOR

- **Policy and Legislation:**

- (i) National Forestry Council;

- (ii) National Forestry Policy 1978 (revised in 1992);

- (iii) National Forestry Act 1984 (amended in 1993);

- (iv) the National Forestry Act provides provision for classifying the PRFs into 11 functional use categories and for establishing a Forest Development Fund; and

- (v) various State enactments and ordinances, such as the Sabah Forest Enactment 1968 (amended 1992), Sabah Biodiversity Enactment 2000, Sarawak Forest Ordinance 1954 (amended 1999), and the Sarawak Natural Resource and Environment Ordinance 1994.

- **Resources at end of 2005:**
 - (i) natural forest covering 17.90 million ha;
 - (ii) forest plantation covering 0.41 million ha;
 - (iii) total forest area of 18.31 million ha or 55.8 % of total land area;
 - (iv) agricultural tree crops of 5.55 million ha; and
 - (v) total tree cover of 23.86 million ha or 72.7% of total land area.

- *Total growing stock of 10 cm dbh and above:*
 - (i) dry inland forest having 4,086.47 million m³ ;
 - (ii) swamp forest having 198.2 million m³ ;
 - (iii) Mangrove forest having 142.1 million m³ ; and
 - (iv) total growing of 4,426.77 million m³ .

- *Permanent Reserved Forests at end of 2005:*
 - (i) protection forest of 3.11 million ha or 20.3% of total PRFs area;
 - (ii) production forest of 12.19 million ha or 79.7% of total PRFs area; and
 - (iii) a total of 15.30 million ha or 46.5% of total land area.

- *Total growing stock of 10 cm dbh and above for PRFs :*
 - (i) protection forest has 780 million m³ ;
 - (ii) production forest has 3,053 million m³ ; and
 - (iii) a total of 3,833 m³ .

- **Forest Management Practices:**
 - (i) selective forest harvesting in the dipterocarp of the production forest of the PRFs, with cutting cycles varying from 25-55 years;
 - (ii) selective forest harvesting in the peat swamp forests of the production forest of the PRFs, with cutting cycles of about 45 years; and
 - (iii) clear felling in mangrove forests with cutting cycles varying between 20-30 years.

- **Harvesting Practices**
 - (i) use the crawler tractor-winch lorry system;
 - (ii) practise reduced impact logging; and
 - (iii) practise low impact logging, especially in Sarawak.

- **Conservation Practices:**
 - (i) national parks covering 1.67 million ha with 0.04 million in the Peninsula overlapping with the PRFs;
 - (ii) wildlife, bird sanctuaries, etc covering 0.77 million ha with 0.24 million ha overlapping with the PRFs in the Peninsula and Sabah;
 - (iii) totally protected areas at the end 2005 amounted to 5.16 million ha or 28.2% of the total forested land or 15.7% of Malaysia's total land area;
 - (iv) Virgin Jungle Reserves (VJR) covering 114,916 ha;
 - (v) 5 RAMSAR sites covering 48,029 ha,
 - (vi) 2 UNESCO World Heritage Sites totaling 128,235 ha;
 - (vii) currently, Malaysia has designated 5.16 million ha of watersheds with 79.1% located in Sarawak;
 - (viii) under the National Physical Plan (NPP), a Central Forest Spine (CFS) to reconnect the four major forest complexes in the Peninsula is currently being implemented; and

(ix) since February 2007, Malaysia together with Indonesia and Brunei Darussalam is involved in Heart of Borneo initiative which is targeting an area of 24 million ha.

- **Environmental Protection Practices**

(i) Environmental Impact Assessment to be carried out for 'prescribed' activities under the EQA 1974 , e.g. logging 500 ha or more, conversion of mangrove forests of 50 ha or more, etc;

(ii) under the NPP, need to classify land, including forest land, according to Environment Sensitive Area (ESA) Rank1- greater than 1,000 m in elevation, ESA Rank 2 – 300 to 1,000 m in elevation or ESA Rank 3 – 150 to 300 m above elevation; and

(iii) planted a total of 4.68 million trees along highways, sidewalks and opened-spaces.

- **Sustainability of Natural Forest**

- (i) average growth rate of .8 – 1.0 cm/year in diameter;
- (ii) average volume of 2.0 – 2.5 m³/ha/yr;
- (iii) capable of producing 45 – 85 m³/ha every 25-55 years;
- (iv) damage to residual stand be less than 30%; and
- (v) under 9MP, the PRFs expected to produce 15.18 million m³/year with Sarawak contributing 56.0%.

- **Forest Plantation Establishment**

- (i) in October 1993 – granted Pioneer Status for 10 years or 100% tax allowance under Investment Tax Allowance;
- (ii) in 1999 granted additional tax incentives under Schedule 4A of the Approved Agricultural Projects for 75 species with the rotation cycles ranging from 6 to 50 years;
- (iii) in May 2003 granted further incentives under “Group Relief”; and
- (iv) currently the Government also provides soft loans at 3.5% interest and has disbursed RM 80.34 million to develop 16,100 ha of forest plantation

- **Wood-Based Industries at end of 2005**

- (i) A total of 1,138 sawmills & 176 plywood/veneer mills;
- (ii) 14 MDF plants, 354 moulding plants, 1 pulp & paper mill, 2,363 furniture/woodworking/joinery factory, etc;

- (iii) total roundlog consumption in 2005 by the sawmills in Malaysia was estimated to be 9.37 million m³ or 47.4% of their installed capacity
- (iv) primary processing mills in the Peninsula only utilized 46.7% of the installed capacity in 2005; and
- (v) In 2005, total export of timber and timber products was valued at RM 21.51 billion or 4.0% of the country's total export earnings.
- (vi) In the same year, the forestry sector in Malaysia accounted for about 8.2% of the country's GDP and provided employment of 2.6% of the country's workforce.

- **Institutional Frameworks**

- roles and responsibilities of Ministry of Natural Resources and Environment (NRE), FD Peninsular Malaysia, Sabah & Sarawak, Forest Research Institute of Malaysia (FRIM), Malaysian Timber Industry Board (MTIB), Malaysian Timber Council (MTC), Malaysian Timber Certification Council (MTCC).

3. TRENDS AND CHALLENGES

- **Extent of Forest Resources**

- (i) between 1985 – 2005 Malaysia has converted 2.16 million ha of forest or at an average of 108,000/yr to other land uses;
- (ii) between 1985 – 2005 a total of 1.80 million ha of perennial agricultural tree crops was added with oil palm more than doubling from 1.47 million ha in 1985 to 4.05 million ha in 2005;
- (iii) under the Third Agriculture Policy it is envisaged that no large-scale planting of perennial agriculture crops in the Peninsula;
- (iv) PRFs increased from 14.19 million ha in 1995 to 15.30 million ha in 2005, an increase of 1.11 million ha;
- (v) forest plantations had also increased to 403,890 ha in 2005;
- (vi) all forest land are owned by the Government except for 761,240 ha of natural forest and 750,000 ha of forest plantation which are privately owned in Sabah, as well as 570 ha owned by indigenous communities, also in Sabah.

- **Forest Management**

- (i) committed to SFM and will report progress to UNFF, ITTO, FAO, and the ASEAN Secretariat using the recently approved ASEAN C&I and Reporting Format for SFM by the 10th ASOP Meeting in July, 2007;
- (ii) need full valuation of forest resources to realize national resource accounting system;
- (iii) further developed environmentally sound and economic harvesting systems; and
- (iv) use adaptive management approaches to manage the forest resources.

- **Forest Conservation and Protection**

- (i) secure a set of strategically located primary forests in representative areas having high diversity and endemism;
- (ii) address the opportunity cost foregone in implementing *in situ* biological diversity conservation and the potential use in the light of advances in biotechnologies in using the resources;

- (iii) optimize the use of the country's rich forest biological diversity in line with the National Biotechnology Policy 2005;
- (iv) conserve and protect the indigenous flora and fauna and genetic resources to ensure their integrity and be consistent with the National Environment Policy 2002;
- (v) manage and rehabilitate the wetlands, especially the mangroves and other coastal habitats in accordance with the National Wetlands Policy 2004; and
- (vi) integrate watershed management measures into multiple-use forest management practices, and develop mechanisms for the equitable distribution of costs and benefits between the upland forest managers and the users downstream.

- **Production and Trade of Major Wood Products**

- (i) between 1985 and 2005, production of industrial roundwood recorded a decline from 50 million m³ in 1985 to 28.2 million m³ in 2005 with sawnwood showing similar trends;
- (ii) over the same period, wood-based panels and paper and paperboard recorded increasing production, e.g. from 1.38 million m³ in 1985 to 7.12 million m³ in 2005 for wood-based panels;
- (iii) imports of industrial roundwood had also recorded a decline from 0.39 million m³ in 1985 to just 0.08 million m³ in 2005;
- (iv) however, imports of sawnwood had recorded an increase from 0.08 million m³ in 1985 to 1.10 million m³ in 2005;
- (v) exports of industrial roundwood from 1985 to 2005 had declined significantly from 20.25 million m³ in 1985 to just 5.84 million m³ in 2005, a decrease of 71.2%;
- (vi) however, exports of wood-based panels had increased substantially from 0.78 million m³ in 1985 to 6.62 million m³ in 2005, making Malaysia the top five exporters in the world that year;

- (vii) currently, 9 FMU covering 4.73 million ha have been certified using the [MC&I (2001)] by MTCC, while another 64,084 ha under the FSC P&C;
- (viii) a total of 102 timber companies have been awarded the Certificate of Chain-of-Custody by MTCC;
- (ix) presently, Malaysia is negotiating with the EU on its FLEGT's VPA, while MTCC will be submitting its timber certification scheme for endorsement within the PEFC's framework for mutual recognition; and
- (x) timber certification as a tool to promote SFM is still subject to considerable debates at the international level.

- **Estimated Future Log Production**

- (i) average annual total log production in Malaysia is estimated to be:
 - 24.63 million m³ for the period 2006 -2010;
 - 29.23 million m³ for the period 2011 -2015; and
 - 32.47 million m³ for the period 2016 -2020.

(ii) average annual log production from the PRFs is estimated to be:

- 18.10 million m³ for the period 2006 -2010 ;
- 24.12 million m³ for the period 2011 -2015; and
- 27.62 million m³ for the period 2016 -2020.

- **Wood-based Industries**

- (i) IMP3, 2006-2020, has targeted total investments to be RM 25.4 billion or RM 1.7 billion/yr;
- (ii) exports to grow at 6.4%/yr to reach RM 53 billion by 2020, mainly from downstream value-added products, through eight strategic thrusts formulated in IMP3;
- (iii) need to ensure the installed capacity of the primary wood-based industries in the Peninsula and Sabah commensurate with log availability, through withdrawal or cancellation of the mill licenses;

- (iv) employment in the forestry sector had declined from 274,380 workers in 2000 to 270,670 workers in 2005; and
- (v) Malaysia's population is expected to grow to 28.96 million by 2010 with the working age group of 15-64 years to account for 63.6% and urban population to increase to 63.8% in 2010. The population is expected to further increase to 32 million in 2020.

- **Forest Ecosystem Services**

- (i) the Ninth Malaysia Plan emphasizes the promotion of ecotourism through wildlife sanctuaries and nature parks and be guided by the National Ecotourism Plan;
- (ii) by 2010, tourist arrivals are expected to reach 24.6 million, while tourist receipts are set to rise to RM 59.4 billion;
- (iii) water demand is expected to grow at 6.6%/yr to 16,270 million litres per day in 2010 and hence, the need to practise Integrated Water Resources Management (IWRM);

(iv) in 2005, based on the growing stock, carbon stored in the Malaysian forests were estimated to be:

- above ground biomass was 2,390 million tonnes;
- below ground biomass was 574 million tonnes; and
- dead wood and litter was 479 million tonnes.

- **Institutional Arrangements**

(i) on 27 March 2004 the Government created NRE and the Ministry of Plantation Industries and Commodities with FDPM, FRIM, Wildlife & National Parks and DOE under NRE;

(ii) upstream forestry management activities and downstream processing industries are now under the purview of two Ministries;

- (iii) FRIM is also responsible for R&D in forest and timber products which is under the purview of the Ministry of Plantation Industries and Commodities, therefore need to balance and satisfy the needs of both Ministries;
- (iv) total public expenditures for forest administration had increased from RM 162.58 million in 1985 to RM 257.23 million in 2005;
- (v) total public expenditures for forest development had also increased from RM 45.40 million in 1985 to RM 182.06 million in 2005; and
- (vi) total forest revenue collected had decreased from RM 1.87 billion to RM 1.57 billion in 2005.

4. PROBABLE SCENARIO IN 2020

- The total area of the of the PRFs remains at the 2005 level of **15.30 million ha**, with a possibility to increase it by one million ha to **16.30 million ha** or 49.6% of the total land area which is closer to the 50% target as voiced by Malaysia at UNCED in June 1992.
- However, the total forested land is expected to decline by **1.58 million ha**, based on the average annual loss of 105,500 ha during the period 1985 to 2005.
- The total area under forest plantation is expected to increase by **1.75 million ha** by 2020.
- Better conservation of the forest biological diversity during forest harvesting operations due to more benign and environmentally sound harvesting technologies and better planning.
- All areas in the PRFs will be certified as sustainably managed.

- The number of nature parks, wilderness areas and wildlife and bird sanctuaries will increase due to higher disposal income, improved quality of life, and the projected tourists arrival of at least 24.6 million in 2010.
- Watershed management would be better integrated into multiple-use forest management practices.
- By 2020, total log production is expected to increase to **32.47 million m³** from the level of **28.24 million m³** in 2005.
- In line with the IMP3, export of logs by 2020 will be further reduced.
- Most of the exports from the wood-based industries will be wood-based panel products and other higher-valued products for niche markets.
- Consolidation instead of expansion of the primary processing mills in the Peninsula and Sabah so that installed capacity commensurate with log production, the sustainable cut in the long term.

- Malaysia would increase imports of sawnwood, wood-based panels, and paper and paperboard to meet rising demand by the growing population, and may consider to establish another integrated pulp and paper mill.
- All timber and timber products will be certifiable as legal and from sustainably managed sources.
- Future R&D in forestry will focus, among others, on improving SFM practices, planting stock production, biotechnology, natural-products discovery, etc.
- Malaysia may be involved in the CDM of the Kyoto Protocol post-2012 if carbon sequestered from reduced impact logging and enrichment planting activities are allowed to be traded under the CDM.

Our right to convert forests

Malaysia pushes for more development

By **FOO YEE PING**

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NEW YORK: Malaysia has maintained its right to convert forests to other land uses such as agriculture although it acknowledges that deforestation may lead to climate change.

Foreign Minister Datuk Seri Syed Hamid Albar told a special meeting of Tropical Rainforest Countries' Leaders here on Monday: "It is to our own interest to conserve and manage our forest resources on a sustainable basis."

He said Malaysia, just like other developing countries, should not be denied the right to development particularly to fulfil its obligation to eradicate poverty.

He added that Malaysia was blessed with relatively large tracts of natural tropical forests, which covered almost 60% of its total land area.

He stressed that any approach to resolve the problem of climate change must consider the differences between developed and developing countries.

"Developed countries have already reached

a stage in their economic development where they should reduce emission of greenhouse gases," he said.

At a separate meeting on climate change, Syed Hamid called on developed nations to take the lead on finance and economics in fighting climate change.

"Although much has been said about the need for more financing, the sad fact is that this has not been forthcoming.

"Many of the funds set up for these purposes come with conditions that sometimes render it impossible for some developing countries to receive any financing in their struggle to adapt to climate change."

Speaking to Malaysian journalists later, Syed Hamid said there was consensus that climate change problems must be dealt with at a multilateral level and within the ambit of the United Nations.

He also said that Asean must have a uniform policy and act collectively to protect its natural resources.

Malaysia, he added, was working with Brunei and Indonesia to protect the heart of Borneo.

THANK YOU