

# The Launch of the National Timber Industry Policy (NATIP)

**- ENGLISH VERSION ONLY -**

YAB DATO' SRI MOHD NAJIB TUN ABDUL RAZAK  
TIMBALAN PERDANA MENTERI MALAYSIA

SEMPENA  
THE LAUNCH OF THE NATIONAL TIMBER  
INDUSTRY POLICY (NATIP)

TARIKH & MASA  
17 FEBRUARI 2009 (SELASA), 11.30 A.M

BERTEMPAT  
PUSAT DAGANGAN DUNIA PUTRA  
(PWTC)

YB. Datuk Peter Chin Fah Kui;  
Menteri Perusahaan Perumahan Perladangan dan Komoditi, Malaysia

YB. Senator A. Kohilan Pillay;  
Timbalan Menteri Perusahaan Perumahan Perladangan dan Komoditi, Malaysia

Y. Bhg. Datuk Wira Ismail Saleh;  
Ketua Setiausaha, Kementerian Perusahaan Perumahan Perladangan dan Komoditi,  
Merangkap Pengerusi Lembaga Perindustrian Kayu Malaysia (MTIB),

Y. Bhg. Dato' Mohd Nazuri Hashim Shah;  
Ketua Pengarah, Lembaga Perindustrian Kayu Malaysia (MTIB),

Tuan-tuan Yang Terutama / Excellencies,

Tuan-tuan dan puan-puan,

1. Marilah kita memanjatkan rasa syukur ke hadrat Allah SWT kerana dengan izin dan limpah kurnianya, kita dapat bersama-sama di majlis yang penuh bermakna ini. Saya ingin merakamkan penghargaan kepada pihak Kementerian Perusahaan Perumahan Perladangan dan Komoditi Malaysia kerana sudi menjemput saya untuk menyempurnakan majlis pelancaran Dasar Perindustrian Kayu Negara atau Nasional Timber Industry Policy (NATIP) pada pagi ini.

Ladies and Gentlemen,

2. The launching of the National Timber Industry Policy or NATIP is indeed timely as it will chart the development of the wood-based sector in Malaysia in the years leading to 2020. This is an important endeavor in particular against a backdrop of global economic uncertainty.

3. It is interesting that the Chinese character for danger/crisis also denotes of opportunity. While we are busy in the midst of managing the impact of the current global economic crisis we must not forget to have an eye on the future. We must take this opportunity to thoroughly reexamine our current

economic structure and initiate the necessary and needed reform in order for Malaysia to move up the global value chain and lay the groundwork for sustainable future growth.

4. The industry in recent years has consistently contributed in excess of RM20 billion annually to the national economy. In 2008, export earnings from the timber and timber product sector totaled approximately RM22.5 billion; its export value is second only to that of palm oil in the commodities sector.

5. Malaysia is an important player in the international market for tropical timber and timber products. Besides being the largest exporter of tropical logs and sawn timber, Malaysia is also the 2nd largest supplier of plywood and 10th largest exporter of furniture in the world market, domestically this sector provides employment for 300,000 workers. Therefore it is of utmost importance for the timber industry to continue being innovative, creative and competitive.

6. Under the Third Industrial Master Plan (2006-2020), exports of timber products are expected to grow further through greater emphasis on value addition, product differentiation, branding, market expansion and diversification. With projected annual investments of RM 1.7 billion during this period, total investment in the timber industry since the first Industrial Master Plan (1986-1995) are expected to reach RM 25.4 billion. Meanwhile, exports are projected to grow 6.4% annually to reach RM 53 billion by 2020.

7. Nonetheless in order to ensure the continuing dynamism of the timber industry, I believe that the current structure existing in the industry needs to be rationalized. More emphasis should be given to higher value-added downstream activities that can be expected to generate 60% of export earnings. In this respect, I see that NATIP encompasses forward looking strategic initiatives that will guide the industry in the desired direction.

8. I understand that NATIP addresses concerns on market access. As the world economy is experiencing some degree of instability, access to markets is of utmost importance. I am happy to note that the wood-based industry has taken measures to improve its access to key markets, especially those which are inclined towards resource sustainability and legal trade. For example, the Malaysian Timber Certification Scheme has gained ground in terms of recognition in several environment sensitive markets in Europe, Japan and New Zealand, acknowledging the country's practice of sustainable management of its forests. This provides the confidence to buyers that timber from Malaysia is produced under environmentally acceptable conditions.

9. I am also closely monitoring Malaysia's progress in the negotiations for a Voluntary Partnership Agreement (VPA) under the European Union Forest Law Enforcement, Governance and Trade, which started in 2006. Some member states of EU have implemented their public procurement policies on timber, which dictate that any timber purchased must be legally and/or sustainably produced. Being a signatory to the VPA, Malaysia will be able to ship its timber throughout the EU without having to meet additional requirements to verify its legality status. This will without doubt enhance the access of Malaysian timber to those markets. I am confident that the VPA between Malaysia and EU will be signed and ratified soon.

10. Apart from addressing market access issues, the two initiatives that I have just mentioned illustrate Malaysia's stand on and commitment to good forest-sector governance. Recognizing the precious contribution of forests to social and economic development, we unquestionably do not condone unlawful practices that cause environmental damage and retard sustainable development in the country. As such, we will always continue to support efforts to comply with international requirements for and promote the flow of timber from sustainably managed and legally harvested sources.

Ladies and gentlemen,

11. Recognizing the challenges posed to the timber industry in terms of raw material supply, the government has aggressively embarked on several initiatives to explore alternatives for the timber processing industry. Among them is the Forest Plantation Development Program on a commercial scale. Administered by the Malaysian Timber Industry Board (MTIB), the program entails the

establishment of 375,000 hectares of forest plantation in 15 years, to produce a yield of approximately 5 million m<sup>3</sup> (cubic meter) of timber annually at the end of the period. This will also help to relieve pressure on our natural forests for the supply of raw materials for the timber processing sector. I would like to urge the private-sector to play a more significant role in this program, as it will provide additional timber supply to sustain the industry. I understand that to-date, 14 companies have come on board the program to establish nearly 60,000 hectares of planted forests.

12. Nevertheless, forest plantation initiative alone will not be able to fulfill the requirement of the timber industry. The industry is now considering the vast potential of agricultural residues as an alternate fiber resource given that the country has bountiful agricultural crops. It is estimated that total land area under agricultural tree crops, such as rubber, oil palm, cocoa and coconut, amounts to 5.5 million hectares or 16.7% of Malaysia's total land area. This unquestionably represents a vast fiber resource and precious raw material supply for utilization in the timber industry. I am aware that the Fiber and Biocomposite Development Centre or FIDEC, under the purview of the MTIB, has been established to assist the industry to adopt the usage of these natural fiber materials in commercial production. I hope that FIDEC will spearhead and hasten progress in commercializing research findings in this area so that the industry can capitalize on the abundant biomass as a new source of growth and wealth.

Ladies and gentlemen,

13. A key factor in ensuring the competitiveness and sustainability of the wood-based industry is the transition to a knowledge-driven economy. It is imperative that the timber industry embraces innovation, develop new ideas, employ new processes, create new products and deliver new services in order for it to thrive. In this respect, human capital development is a determinant for the industry to succeed. Human capital development needs to be reinforced in order to acquire sufficient supply of local manpower and also skilled workers at all levels of operations. A multi-prong strategy is essential to address this concern. While the industry needs to provide a conducive working environment to entice skilled workers at the managerial and supervisory levels to join the sector, training institutions should also match the requirements of the industry and generate adequate and skilled trainees to lend a hand in steering the industry into a more productive one. In this regard, I am happy to note that MTIB has embarked on several initiatives to attract youth to take up career in the timber sector. I understand that MTIB has developed a structured training program for school leavers as well as graduates to provide them with the necessary technical as well as supervisory and managerial skills for immediate employment by the industry. These programs provide an avenue for youths to enhance their skills and knowledge in manufacturing and processing of timber products.

14. During the last four decades, the timber industry has witnessed its transformation from being a producer of planks and boards primarily for domestic consumption and an exporter of logs, to one of an exporter of primary products such as saw logs, sawn timber, plywood and veneer in the 1970s, and gradually evolving into a major exporter of value-added products, such as furniture, builders' joinery and carpentry. The growth towards more value-added manufacturing products has been driven primarily by large increases in capital as reflected by the number of value-added downstream processing machinery and labor inputs. The Government is encouraging the industry to utilize automation and mechanization to reduce dependency on foreign labor as well as to overcome shortage of labor in general. Added to these benefits is the fact that automation and mechanization also helps to improve efficiency and productivity.

Tuan-tuan dan puan-puan,

15. Sebagai akhir kata, adalah diharapkan agar NATIP akan dapat memberi gambaran berkenaan panduan dan halatuju bagi industri berasaskan kayu untuk terus mengecapi pembangunan lestari dan berdaya saing di peringkat tempatan dan antarabangsa. Saya menyeru semua pihak yang terlibat, termasuk stakeholders dan pelaksana-pelaksana, untuk menjadikannya sebagai bahan rujukan dan menjalankan pelan-pelan tindakan yang digariskan agar kemajuan yang sistematik dan berterusan dapat dicapai dalam industri ini. Pelaksanaan yang saya maksudkan bukanlah sahaja di peringkat persekutuan, malah juga di peringkat kerajaan negeri. Kita perlu memperkukuhkan lagi sektor perkayuan negara yang telah membuktikan keupayaannya sebagai penyumbang yang penting kepada pembangunan ekonomi negara. Seperti yang saya nyatakan tadi, kerajaan akan terus memantau prestasi industri-industri di Malaysia semasa tempoh yang penuh cabaran ini dan memberi

apa-apa kemudahan dan bantuan yang perlu agar pembangunan negara terus dapat dinikmati oleh setiap peringkat warganya.

16. Maka, dengan lafaz Bismillahirrahmannirrahim, dengan sukacitanya saya melancarkan Dasar Perindustrian Kayu Negara atau NATIP

Sekian, terima kasih.

Pejabat Timbalan Perdana Menteri  
Aras 4, Blok Barat,  
Bangunan Perdana Putra,  
Putrajaya.