



اُنِيُورِيسِيْتِي تِكْنُولُوجِي مَارَا
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A STUDY ON THE RELATIONSHIP BETWEEN FOREX RATE,
TIMBER EXPORT AND PRODUCTION VOLUME OF TIMBER WITH
PRICES PERFORMANCE OF MALAYSIA TIMBER

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“In the name of Allah, the Merciful, the Beneficent”

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ABSTRACT

This study is undertaken to investigate the relationship of exchange rate volatility, changes in export and production towards the prices performance of Malaysian timber. There are two objectives that the researcher needs to measure. Firstly, to study the relationship of exchange rate volatility (in terms of three currencies) towards the price performance of Malaysian timber whether has positive or negative relationship. Second, to find out thus timber export and production volume of timber can influence on the price of Malaysian timber. In this study, the researcher decided to take timber price focusing on unit value (cubic meters) as dependent variable, while the importer's currency exchange rate as independent variables that include three currencies (USD, JPY, and GBP). For this study, secondary data are used and the data involved are price of Malaysia timber, exchange rate of main importer of timber from Malaysia which United State, Japan and Great Britain currencies and production and export of Malaysia timber as independent variables. The entire data are taken based on the monthly basis from January 1995 until the year August 2003. At the end of the study; the researcher results show that the exchange rate fluctuations and export of timber have a positive relationship with the performance of Malaysian timber price. Meanwhile production has inverse relationship with the Malaysia price of timber.

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1. Introduction

Recently, in term of global timber trade, 90% comes from temperate and boreal forests, with only 10% supplied from tropical forests. Among tropical forest countries, Malaysia supplies 80% of the tropical sawn timber to international trade. Malaysia is the world's second largest tropical timber exporting nation after Indonesia.

During the 1980s, rampant logging in the Borneo states of Sabah and Sarawak allowed Malaysia to temporarily outpace Indonesian and became the world's largest exporter of tropical wood. On paper, Malaysia, once the world's largest exporter of tropical woods probably has one of the best rainforest protection policies in developing Asia, but in practice logging still carries on as it always has. Majority of Malaysia's remaining forests are managed for timber production and each state is empowered to formulate forest policy independently.

Borneo Malaysia still has large areas of forest, where Sarawak is the most important timber producing state of Malaysia, even though timber production is being reduced to meet the sustainable level recommended by International Tropical Timber Organization (ITTO). Sarawak accounts for 51.5% of the total national log output. Of the 16.3 million cubic meters