

The EU-Malaysia Voluntary Partnership Agreement



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1. The country

Forests cover almost 60% of Malaysia's land area, equivalent to 18.48 million hectares. Timber is an important export product and a significant contributor to the country's economy. Between 1990 and 2000, forestry and timber contributed 6 to 7% of the country's annual GDP. However, this contribution fell to 2 to 3% between 2001 and 2015. The range of Malaysia's timber and timber products, from primary to tertiary products (logs, sawn timber, plywood, medium density fibreboard, chipboard, veneer and other panel products, mouldings, builders' carpentry and joinery, and furniture) is unsurpassed.

The EU is one of Malaysia's top three export markets (10.1%) in terms of value (in 2018) for timber products. The country also has many regional timber trading partners, the main importers being India and Japan. More than half of Malaysia's export markets are in Asia (61.9%). The other Asian markets are China, Chinese Taipei, Singapore, South Korea and Thailand. The United States takes up 20.1% of its timber exports.

Malaysia was one of the first countries to begin negotiating a Voluntary Partnership Agreement (VPA) with the EU, in 2007. The Malaysia-EU VPA negotiations are the most

protracted VPA negotiations to date, partially due to the complexity of Malaysia's political situation. The country consists of three regions, Peninsular Malaysia, Sabah and Sarawak (the latter two in Borneo). These regions are often treated separately as they have distinctly separate laws and histories. The pluralistic nature of the Malaysian legal system, and the fact that land and forest regulations are decentralised to the state levels (11 states in Peninsular Malaysia plus Sabah and Sarawak), makes for the complexity.

Eleven negotiation meetings (Technical Working Group meetings) and six Joint Experts' Meetings took place between 2007 and 2014. However, negotiations have been in limbo since late 2014, while the EU awaits a signal from Malaysia that it is ready to restart the negotiations with the inclusion of the state of Sarawak.

2. Background

This introduction and status update document provides information on the Malaysia-EU Voluntary Partnership Agreement (VPA), which aims to address illegal logging, improve forest governance and promote trade in legal timber products.

Quick read

- Illegal logging creates social problems, environmental degradation and loss of economic opportunities.
- In January 2007, Malaysia and the EU began negotiating a VPA to promote trade in legal timber products and improve forest governance.
- Under a VPA, Malaysia would develop a timber legality assurance system and implement legal and governance reforms identified by stakeholders.
- Because of the pluralistic nature of the Malaysian legal system, three timber legality systems would need to be negotiated, one each for Peninsular Malaysia, Sabah and Sarawak.
- The negotiation process has encountered obstacles that are yet to be overcome.
- These include the challenge of ensuring the VPA covers not only Peninsular Malaysia and the state of Sabah but also Sarawak.

What is a VPA?

A Voluntary Partnership Agreement (VPA) is a legally binding trade agreement between the EU and a timber-exporting country outside the EU. A VPA aims to ensure that all timber and timber products destined for the EU market from a partner country comply with the laws of that country.

In addition to promoting trade in legal timber, VPAs address the underlying causes of illegality: weak forest governance. A major strength of VPAs is that they look beyond trade to consider development and environmental issues.

Stakeholders in government, the private sector and civil society develop VPAs through participatory processes. A VPA is, therefore, a vehicle for addressing the needs of different stakeholders and for including many people who have never before had a voice in decision-making.

VPAs are a key component of the EU Forest Law Enforcement, Governance and Trade (FLEGT) Action Plan of 2003. Malaysia is one of several tropical countries that are negotiating VPAs with the EU. Six countries have ratified VPAs and are implementing the Agreements.

Key elements of a VPA

Key elements of a VPA are described in its main text and annexes. In countries where VPAs have already been signed, these include:

- A timber legality assurance system to verify that timber products are legal and can be issued with FLEGT licences
- Commitments to legal reforms, public disclosure of information and other improvements to forest governance
- A framework for overseeing, monitoring and evaluating implementation of the VPA and its economic, social and environmental impacts

Key dates:



- 2007 January: Negotiations start
- 2007 March: 1st Stakeholder Consultation to create awareness of the VPA
- 2007 June: 2nd Stakeholder Consultation to update on the VPA negotiations process
- 2007 November: 3rd Stakeholder Consultation to discuss the timber legality assurance system (TLAS) draft proposal
- 2008 March: 4th Stakeholder Consultation to discuss the draft TLAS
- 2008 August: 5th Stakeholder Consultation to discuss third party monitoring of the TLAS
- 2008 September: Joint Technical Evaluation of Malaysian TLAS

- 2009 September: Cabinet decides on a phased approach in the FLEGT VPA Negotiations
- 2011 July: 6th Stakeholder Consultation / multi-stakeholder briefing for updates on VPA negotiations, the EU Timber Regulation and TLAS
- 2012 March: Resumption of formal negotiations
- 2012 April: 7th Stakeholder Consultation giving updates on VPA negotiations and outstanding issues
- 2012 July: 8th Stakeholder Consultation on product scope
- 2013 January: 9th Stakeholder Consultation to discuss Sabah TLAS
- 2013 February: 10th Stakeholder Consultation to discuss amended Sabah TLAS
- 2013 March: 11th Stakeholder Consultation to discuss status of the VPA
- 2014 May: The EU proposed a time-bound integration of Sarawak into the VPA at the 11th Technical Working Group meeting
- 2014 September: EU and Malaysia hold a joint video conference



Status of the EU-Malaysia VPA negotiations

Malaysia and the EU began negotiating the VPA in January 2007. Progress has been slow and negotiations have been stalled since 2014, although some informal discussions took place afterwards.

While Malaysia's national VPA process has engaged relevant government ministries, the private sector and some civil society groups, other civil society representatives and indigenous peoples have raised concerns about their ability to influence the process. Full stakeholder engagement remains a challenge, although it is not a requirement that all stakeholders must unanimously agree.

In Malaysia's political system, the states of Sarawak and Sabah have considerable autonomy from the seat of the federal government in Peninsular Malaysia. Land and forestry fall under jurisdiction of the individual states. This means, in effect, that the VPA negotiations need to

bring together three separate legal systems and control and licensing procedures in the forest sector.

However, Sarawak's forestry and timber-related agencies, and especially the key players in the timber industry, continue to have strong reservations about the VPA negotiations. Sarawak has negligible direct timber exports to the EU and did not feel ready to be part of the VPA. The Malaysian negotiators had to bring the matter before the federal Cabinet in September 2009. A decision was made that negotiations could proceed with a phased approach, with Sarawak joining the VPA at a later stage. In May 2014, the EU made it clear that the VPA must include Sarawak and requested a roadmap with timelines and milestones of Sarawak's next steps. At the September 2014 video conference, it was reported that Sarawak declined to prepare this roadmap.

Technical progress on the TLAS in the three regions of Malaysia continued. Peninsular Malaysia used an interim Malaysian TLAS (MYTLAS) to issue MYTLAS legality certificates for shipments to the EU since early 2013. In early 2015, Sabah issued Sabah TLAS Certificates of Compliance (STCC). Sarawak has independently developed a Sarawak Timber Legality Verification System (STLVS) to meet market requirements outside of the VPA context in 2016.

Without a cohesive and integrated national approach towards the negotiations, it will be difficult for the VPA talks to resume. Additionally, with changes in government and technical developments in the three regions having taken place, a new stock take would need to be carried out to update the new incumbents on all sides.

3. Websites

- [VPA Unpacked](#): Helping you understand FLEGT Voluntary Partnership Agreements
- EU FAO FLEGT Programme [[Read online](#)]
- ITTO: VPA independent market monitoring [[Visit website](#)]
- Global Witness: Malaysia [[Visit website](#)]
- LoggingOff.info: Malaysia [[Visit website](#)]
- Capacity4Dev.eu: FLEGT Malaysia document repository [[Read online](#)]
- Illegal Logging Portal: Malaysia [[Visit website](#)]