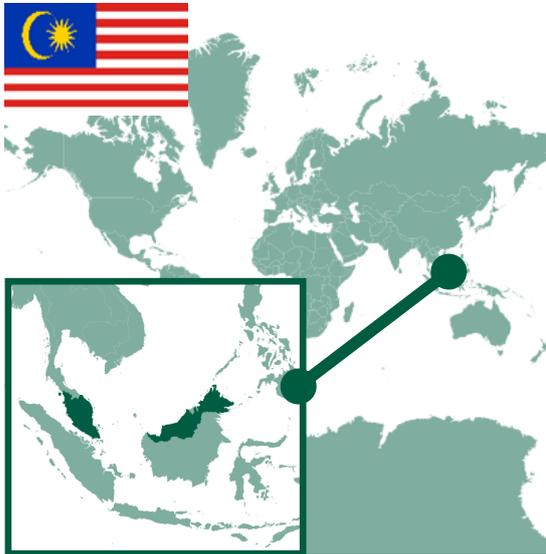


# Malaysia



## Illegal timber risk summary

### Corruption perception index

The Corruption Perceptions Index ranks countries and territories based on how corrupt their public sector is perceived to be. A country or territory's score indicates the perceived level of public sector corruption on a scale of 0 – 100. CPI varies between states within Malaysia.



### Main species risk at a glance

Native	Risk Level
<i>Agathis</i> spp.	SPECIFIED RISK
<i>Aquilaria</i> spp. (Agar wood)	SPECIFIED RISK
<i>Eusideroxylon zwageri</i> (Ulin, Bilian)	SPECIFIED RISK
<i>Intsia</i> spp. (Merbau)	SPECIFIED RISK
<i>Vitex</i> spp.	SPECIFIED RISK
<i>Dryobalanops</i> (kapur)	SPECIFIED RISK
<i>Palaquin</i> spp. (Nyatoh)	SPECIFIED RISK
<i>Shorea</i> spp. (Selagan batu, Meranti, Balau, Bankirai)	SPECIFIED RISK
<i>Gonystylus</i> spp. (Ramin)	SPECIFIED RISK
<i>Dipterocarpus</i> spp. (Keruing)	SPECIFIED RISK



**IMPORT BAN** on logs and large square scantlings (LLS) from Indonesia.



**VPA STATUS**— Malaysia is currently negotiating with EU on a FLEGT VPA.

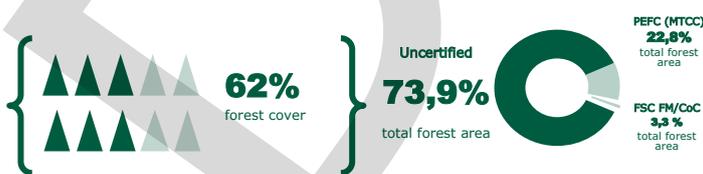
## Timber legality in Malaysia

Malaysia is composed of West Malaysia, also known as Peninsular Malaysia, and East Malaysia consisting of the states Sabah and Sarawak. The Malaysian states each have jurisdiction over own forest area managed by separate Forest Departments. Satellite data indicate that Malaysia has one of the highest deforestation rates worldwide, with an annual deforestation rate of 1,6% between 2000 and 2012 (Butler 2013; Hoare 2015). The forest resources are degraded (Bryan et al 2013). Of total natural forest production in Malaysia in 2012 Sarawak constituted about 60 %, while Peninsular Malaysia accounted for 28 % and Sabah for 12 % (Hoare 2015).

The vast majority of material exported from Peninsular Malaysia comes from forest concessions and plantations in the Permanent Forest Reserve (PFR) as well as from rubber plantations outside the PFR (Gani 2013 and DDT 2014). Illegal actions in the forest sector varies greatly within the states of Peninsular Malaysia (Lawson and McFaul 2010). However, most permanent reserved forests in Peninsular Malaysia are certified under the Malaysian Timber Certification Scheme (MTCS), under which forest management plans are audited (Hoare 2015) and provide a level of assurance of legality for timber originating from these forests.

The forest sector of Sabah has been through much controversy over the past decades. Effort has been taken to improve the management of forests and increase their control with license holders' operations. There are still indications that illegal activities take place. However, Sabah has been seen as effective in managing issues within their forest sector and has implemented a transparent system for licensing and public Environmental Impact Assessments (Lawson and McFaul 2010).

Timber production in Sarawak is primarily from natural forests. The logging sector in Sarawak has frequently been reported to be involved in illegal activities of various kinds, including indigenous people's rights violations (Lawson 2010; Yong 2010; Global Witness 2013). Corruption is reportedly a key driver of large scale illegal logging. The logging industry in Sarawak is mainly controlled by a small number of large conglomerates (Faeh 2011), historically reported to have direct connection to the former Chief Minister (Forest Monitor; Mongabay 2011). With the appointment of a new Chief Minister in 2014 a goal of halting illegal logging has been proclaimed and activities initiated to reach this goal (ENS 2014; Hoare 2015). However, evidence is still to be provided that these initiatives are being effective on the ground.



As of June 2015; PEFC certified: 4,661,816 ha; FSC Certified: 673,334 ha. Source: FSC 2015; PEFC 2015

## Forest statistics Malaysia

	Area (1000 ha)	% forest area	% total area
Primary Forest	3.820	19 %	11,5%
Other naturally regenerated forest	14.829	72 %	45%
Planted Forest	1.807	9 %	5,5%
<b>Total forest area</b>	<b>20.456</b>		<b>62%</b>
<b>Total land area</b>	<b>32.855</b>		

Source: FAO 2010

## Illegal Logging

Illegal infractions may occur in the forest sector in Malaysia and if often not easily detected (Teck Wyn 2013).

Some risks have been identified in the 2015 National Risk Assessment for Malaysia carried out by NEPCon. The risk level between the states of Malaysia varies. Corruption and lack of transparency is prevailing in all states, especially in Sarawak (Hoare 2015). Specific areas of risk include:

- **Harvesting permits and concession licenses** – corruption in the award of timber concessions and logging licenses including preferential non-competitive allocation (Transparency International 2011);
- **Protected sites and species** – lack of complying with the requirements on endangered, rare and threatened species and protected sites/habitat. Accessibility and field monitoring by authorities are challenging due to remote locations;
- **Environmental requirements** - especially areas meant to be converted to agriculture often do not comply with environmentally required harvesting regulations. e.g. in relation to riparian zones, HCV, slopes. In the case of Sarawak there is often a failure to prepare and submit Environmental Impact Assessment Reports;

### Common natural species

- *Shorea* spp. (Meranti, balau and Resak)
- *Palaquin* spp. (Nyatoh)
- *Dipterocarpus* spp. (Keruing)
- *Dryobalanops* spp. (Kapur)
- *Lithocarpus* spp. (Mempening, Chinese oak)
- *Castanopsis* spp (Berangan)
- *Lauraceae* (Medang)
- *Agathis Dammara* (Damar Minyak),
- *Calophyllum* spp. (Bintangor),

- *Koompassia malaccensis* (Kempas)
- *Gonystylus* (Ramin)
- *Cratoxylum arborescens* (Geronggang)
- *Rhizophora* spp (*bakau*)

### Principal plantation species

- *Acacia mangium*
- *Azadirachta excelsa* (Sentang)
- *Tectona grandis* (Teak)
- *Hevea brasiliensis* (Rubber)

## CITES and protected species

The following tree species are found in natural forest in Malaysia and covered by CITES (Appendix I, II or III):

- *Aquilaria* spp. (Agar wood)
- *Gonystylus* spp. (Ramin)

For Peninsular Malaysia and Sabah The Malaysian Timber Industry Board (MTIB) is the Management Authority responsible for the issuance of CITES Export Permits for the export of any CITES species of wood. For Sarawak the Management Authority for CITES is Sarawak Forestry Cooperation.

- **Indigenous and third party rights** – tenure right disputes and violations of customary rights (Yong 2010, Lawson 2014, Teck Wyn 2013). A large number of cases are currently being investigated and tried in court in Sarawak (Sarawakreport.org);
- **Illegal forest conversion** – corruption related to forest zoning changes, establishment and excision of Permanent Reserved Forests and conversion of high forest to plantation forest (Teck Wyn 2013, Transparency International 2011, Lawson 2014);
- **Timber harvesting regulations** – corruption in the control of harvesting and restrictions on re-entry logging in Permanent Reserved Forest areas (Transparency International 2011). Logging outside concession boundaries; Non-compliance with harvesting regulations, including logging on excluded land classes (such as steep land), logging of protected species and under-sized logs, clear cutting along roads and cutting in stream buffers;
- **Health and safety** – lack of awareness of, and non-compliance with, health and safety requirements, including workers wearing Personal Protective Equipment;
- **Labour laws** – a significant share of the workforce in Malaysia comprises illegal foreign workers from Indonesia, Bangladesh and the Philippines (Teck Wyn 2013);

## Imported material & Supply chain risks

Historically Malaysia has been reported to be involved in import, processing and re-export of large volumes of timber from illegal or unknown sources (Greenpeace 2005; Obidzinski, Krystof 2006). While the issues of illegal imports may have been reduced, there is still evidence that Malaysia imports timber products from high risk areas.

Paper based tracking systems are in place for the whole of Malaysia, but as this is based on papers there is a risk of fraud within the system (Hoare 2015).

Below is highlighted the main issues on the supply chain risks for Peninsular, Sabah and Sarawak.

### Peninsular (West Malaysia)

There is little trade between the states within Malaysia (DDT 2014), but Peninsular Malaysia imports significant volumes of timber for its processing industry. Peninsular Malaysia is implementing a timber legality system: MYTLAS. However, this system does not include any evaluation of the legality of imported materials and does not provide for a functioning assurance system for the wood produced within Peninsular.

One of the main risks in the supply chain in Peninsular Malaysia is considered to be the risk that material from overseas with no legality assurance is mixed with domestic material or "legalised" under the MYTLAS scheme and exported as "legally verified".

### Sabah

Sabah has introduced regular forest audits and an electronic tracking system for chain of custody control are currently being piloted, though not fully implemented (Hoare 2015).

## Trade statistics Malaysia

	Product	Unit	2010	2011	2012	2013
<b>Exports Value</b>	Ind. roundwood	Mill US\$	665.99	743.41	641.96	636.69
	Sawnwood	Mill US\$	781.37	811.31	793.52	738.09
	Veneer	Mill US\$	143.17	130.42	140.29	112.96
	Plywood	Mill US\$	1675.8	1836	1518.40	1518.40
<b>Imports Value</b>	Ind. roundwood	1000 US\$	17.56	25.34	18.34	15.15
	Sawnwood	1000 US\$	134.61	156	169.57	163.28
	Veneer	1000 US\$	97.46	113	87.89	68.91
	Plywood	1000 US\$	78.62	97	106.46	127.34

Source: ITTO Annual Review Statistics Database [http://www.itto.int/annual\\_review\\_output/](http://www.itto.int/annual_review_output/)

There are a number of indications that illegal logs from the Indonesian part of Borneo, Kalimantan, have been transported across the border to Sabah. The illegal imports from Indonesia to Sabah is estimated to account for 90 to 97% of total volumes imported to Sabah (Nelleman 2012, pp.49).

Though efforts have been taken to halt this trade into Sabah, it must still be considered that there are risks that such activities take place.

### Sarawak

Companies under the Sarawak Timber Industry Development Corporation are responsible for controlling movement of material from forest, through processing to export. However, the control is based on volume reconciliation and there is no physical tracking of logs all the way back to the stump.

This is a weakness that may enable timber with illegal or unknown origin to enter into the supply chain (EFI 2009).

### Malaysia in general

It is concluded that the supply chain should be evaluated for risks that material flows are mixed or contaminated with illegal or unknown timber products and the origin of timber should be known to the forest level.

## Is there low risk timber in Malaysia?

Timber derived from plantations tend to be of lower risk as legal issues are likely to be less significant.

The majority of Peninsular Malaysia's forest is certified by MTCS, which is recognised by the PEFC, thus providing a level of assurance of the legality of material originating from these forests, as this system includes a chain of custody certification.

In Sabah most forest concessions are largely exhausted and newer concessions are required to be managed sustainably and on a long-term basis, and several of the managed forests are certified. The vast majority of material from forest concessions and plantations can be considered to have a relatively low risk of illegal logging (DDT 2014). However, there is no supply chain certification in Sabah and thus supply chain risks should be considered in this case as risks may exist that material from imports are mixed.

Wood from Sarawak cannot be considered low risk unless certified. If certified material cannot be obtained on-site verification of forest entity and CoC are recommended to verify low risk.

## Legally required documents

### Harvesting

#### Peninsular;

1. Harvest Permit/License
2. Concession Permit
3. Evidence of payment (e.g Tax, Royalty & Cess)
4. Forest Management Plan
5. EIA
6. Record of monitoring by Forestry Dept.

#### Sabah;

1. Harvest permit/license
2. Concession permit
3. (Long term) License agreement
4. Sustainable Forest Management License Agreement
5. Forest Management Plan
6. Approved Comprehensive Harvesting Plan

#### Sarawak;

1. Forest Timber License
2. General Harvesting Plan
3. Detailed Harvesting Plan
4. Permit to Enter Coupe
5. Concession license (where applicable)



### Transport

#### Peninsular;

1. Removal Pass Form 8
2. Removal Pass (change of state) if relevant
3. Occupation Permit for mills

#### Sabah;

1. Removal Pass Form IV
2. Disposal Permit for Round logs Form V

#### Sarawak;

1. Log Specification Form (Royalty assessment)
2. Log Specification Summary (Swamp)
3. Royalty Assessment Check Form
4. Removal Pass (Royalty)
5. Transit Removal Pass (TPR)
6. Endorsement Clearance Certificate (ECC)

See more at Annex II



### Export

#### Peninsular;

1. Timber Export (logs) License issued by MTIB
2. Custom export declaration form
3. Certificate of Registration (Form 9)
4. Bill of Lading
5. Certificate of Origin
6. Phytosanitary certificate
7. Form A / Form D (according to the Country)
8. Fumigation Certificate (according to the Country)

#### Sabah;

1. Export License issued by Sabah Forestry Department
2. Bill of Lading
3. Certificate of Origin
4. Phytosanitary certificate – Optional if required by Import Country
5. Fumigation Certificate – Optional if required by import Country
6. Custom Form K2

#### Sarawak;

##### Logs

1. Export Clearance Certificate (ExCC) issued by Hardwood Timber Sdn Bhd
2. Export License issued by STIDC

##### Sawn timber

1. Bill of Lading
2. Certificate of Origin
3. Phytosanitary Certificate
4. Form D (According to Country)
5. Fumigation Certificate (According to Country)



### More information

For more information, references, examples of documentation and other Forestry Risk Profiles visit our website:



<http://flegt-tools.org/toolkit-and-training-centre/>

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## Resources

- PEFC certification statistics: <http://www.pefc.org/about-pefc/who-we-are/facts-a-figures>
- FSC Certification information: <https://ic.fsc.org/facts-figures.839.htm>
- NEPCon LegalSource Program: [http://www.nepcon.net/4871/English/Certification/Timber\\_legality\\_services/](http://www.nepcon.net/4871/English/Certification/Timber_legality_services/)
- Bureau Veritas OLB Certification: [http://www.bureauveritas.com/wps/wcm/connect/bv\\_com/group/home/about-us/our-business/certification/sector-specific-solutions/forest-wood-products/olb/olb-certification-documents-and-standards](http://www.bureauveritas.com/wps/wcm/connect/bv_com/group/home/about-us/our-business/certification/sector-specific-solutions/forest-wood-products/olb/olb-certification-documents-and-standards)
- SCS Legal Harvest™ Program: <http://www.scsglobalservices.com/timber-legality-verification>
- RA Timber Legality Verification: <http://www.rainforest-alliance.org/forestry/verification/legal>

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