



MEDIA STATEMENT

EU REGULATION ON DEFORESTATION-FREE PRODUCTS : A DELIBERATE ACT TO BLOCK MARKET ACCESS

On 6th December 2022, The EU Council and Parliament reached a provisional deal on a proposal to minimise the risk of deforestation and forest degradation associated with products that are imported into or exported from the European Union.

As a producing and trading country, Malaysia is deeply concerned over the developments of the EU Deforestation-Free Products Regulation, targeting commodities including palm oil, timber, cocoa, and rubber. This unilateral initiative is detrimental to free and fair trade, and could result in adverse impacts on global supply chain. Some aspects of the risk-assessment process of the Regulation are counter-productive to commitments to curb global deforestation and run the risk of disincentivizing producing countries.

Malaysia underscores the need for a balanced approach between achieving development goals and climate ambition. The 2030 SDGs remain the utmost priority for Malaysia. We have embarked on sustainability initiatives including national certification schemes, such as the Malaysian Sustainable Palm Oil (MSPO) certification scheme, Malaysian Timber Certification Scheme (MTCS) and Sustainable Forest Management (SFM) practices, with a view to facilitating access into the EU Single Market.

The Regulation will place additional burdens on Malaysian palm oil exporters to the EU market, specifically additional traceability requirements and data that must be provided to end-customers based in the EU. Countries will be ranked as 'high risk',

'standard risk' or 'low risk' and restrictions on commodities will be either more or less stringent, based on this ranking.

The Deforestation-Free Products Regulation is a deliberate act by Europe to block market access, hurt small farmers and protect a domestic oilseeds market that is inefficient and cannot compete with the cost of palm oil. Moreover, this Regulation could lead to higher food prices and reduced output at a time of record global inflation.

Europe's justifications for promoting this Regulation is based on unsound reasoning and has a weak scientific basis. Malaysian palm oil is sustainable, and is one of the most certified vegetable oils in the world today. The Malaysian Sustainable Palm Oil (MSPO) standard already guarantees Malaysia's commitment to comprehensive sustainability standards. Malaysia will continue to provide sustainable and deforestation-free palm oil to our European and global customers. There is no need to add further costs and burdens.

It would be offensive to Malaysia if either palm oil, or the country, is designated high risk by the EU Regulation. There is no justification for it .

Unnecessary regulations on palm oil exacerbate the food supply crisis, increase costs of food, increase energy costs and harm both the European and Malaysian economy and undermines our poverty alleviation efforts. The EU must commit to genuine engagement with producing countries.

Malaysia values the EU as one of our important trading and investment partners. We stand ready to further enhance this mutually-beneficial partnership, especially building on the recent signing of the Malaysia-EU Partnership and Cooperation Agreement (PCA) as well as possible resumption of Malaysia-EU Free Trade Agreement (FTA) negotiations.

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