



BASELINE STUDY 3, VIETNAM: Overview of Forest Governance and Trade

April 2011

Regional Support Programme for the EU FLEGT Action Plan in Asia

Background

The European Commission (EC) published a Forest Law Enforcement, Governance and Trade (FLEGT) Action Plan in 2003. FLEGT aims not simply to reduce illegal deforestation, but in promoting good forest governance, aims to contribute to poverty eradication and sustainable management of natural resources.

The European Forest Institute (EFI), an international research organisation with its headquarters in Finland, conducts, advocates and facilitates forest research networking at the pan-European level. Under its Policy & Governance programme, the EFI assists in the EU's implementation of the FLEGT Action Plan. In 2007, the EU FLEGT Facility was established, hosted and managed by the EFI. The Facility (i) supports the bilateral process between the EU and tropical producing countries towards signing and implementing "Voluntary Partnership Agreements" (VPAs) under the FLEGT Action Plan, and (ii) executes the regional support programme for the EU FLEGT Action Plan in Asia.

The FLEGT Asia Regional Office (FLEGT Asia) of the EFI's EU FLEGT Facility was formally established in October 2009. FLEGT Asia seeks to collaborate and build synergies with existing regional initiatives and partners in Asia.

The EU FLEGT Facility is managed and implemented by the EFI in close collaboration with the EU.

Goal of FLEGT Asia

The goal of the FLEGT Asia Regional Programme is the promotion of good forest governance, contributing to poverty eradication and sustainable management of natural resources in Asia, through direct support of the implementation of the EU's FLEGT Action Plan.

Strategy

The strategy to achieve this goal focuses on promoting and facilitating international trade in verified legal timber – both within Asia and exported from Asia to other consumer markets. In particular, it aims to enhance understanding of emerging demands in key timber-consuming markets and promote use of systems that assist buyers and sellers of Asian timber and timber products to meet these demands.

Work Programme

The work programme to achieve the Programme's goal has three phases:

- 1. Information Collection**
Baseline information (trade statistics, product flows, future scenarios, stakeholder identification and engagement strategies), applied to countries in the region. Information on producers, processors, exporters and major consumers of exports from this region will be collected and collated. It will then be used to develop training and communication materials; to further define the nature of the capacity building to be undertaken (who are the target beneficiaries and what the training needs are) and form the baseline for monitoring the progress over the 3 years' duration of the programme.
- 2. Capacity Building**
The second phase is the strengthening of key institutions (companies, trade associations, NGOs, government agencies, customs etc.) for improved forest governance in each country and across the region to meet the identified market needs. This will consist of training (at individual level, training of trainers, workshops, pilot studies e.g. on individual supply chains and for Timber Legality Assurance); information dissemination and communications (roadshows, seminars, communication materials, website, etc).
- 3. Customs & Regional Collaboration**
The work to support trade regionally and to invest in customs capacity in accordance with market requirements will be undertaken in collaboration with other programmes in the region.

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VIETNAM:

Overview of Forest Governance and Trade

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Forest Trends
for FLEGT Asia Regional Programme
April 2011



This document serves as an update from the 2009 PROFOR report. The research of this report extends up to the end of 2010. Developments that emerged in 2011 are not covered in this report.

Forest Trends is a Washington, DC- based international non-profit organization that works to expand the value of forests to society: to promote sustainable forest management and conservation by creating and capturing market values for ecosystem services; to support innovative projects and companies that are developing these new markets; and to enhance the livelihoods of local communities living in and around these forests. Forest Trends analyzes strategic market and policy issues, catalyzes connections between forward-looking producers, communities and investors, and develops new financial tools to help markets work for conservation and people.

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ACRONYMS

ADB	Asian Development Bank
CoC	Chain of Custody
CPC	Commune People's Committee
EU	European Union
FDI	Foreign Direct Investment
FLEGT	Forest Law Enforcement, Governance and Trade (EC program)
FSC	Forest Stewardship Council
GDP	Gross Domestic Product
GTZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
KfW	Kreditanstalt für Wiederaufbau
MARD	Ministry of Agriculture and Rural Development
PEFC	Pan European Forest Certification
PNG	Papua New Guinea
SFC	State Forest Company
SFM	Sustainable Forest Management
UAE	United Arab Emirates
VND	Vietnamese Dong
VPA	Voluntary Partnership Agreement
WWF	World Wildlife Fund
WWF-GTFN	World Wildlife Fund Global Trade and Forest Network

1. INTRODUCTION AND MAJOR FINDINGS

In 2009, PROFOREST conducted a study on the forestry sector in Vietnam, commissioned by the European Forestry Institute (EFI). The report compiled information on issues related to Vietnam's role as one of the world's largest manufacturing centers for the wood products trade, particularly as it related to sourcing of legally produced wood. It analysed options for the Vietnamese government and the European Commission if they agreed to proceed with a Forest Law Enforcement, Governance and Trade (FLEGT) Voluntary Partnership Agreement (VPA). Plans to proceed with a FLEGT VPA subsequently started in 2010.

This document serves as an update from the 2009 PROFOR report, and delves more deeply into some of the issues raised – including land tenure, timber harvested from plantations and natural forest, forest certification, and details on the current situation of timber and wood processing industry.

Key findings of this report include:

- ***Vietnam's wood processing sector is likely to remain highly dependent on imported materials from a large number of sources:*** Currently, 80% of the industry's raw materials are imported. Vietnam imported timber from more than 600 different vendors from 26 countries and territories, with China, the United States, and Mekong countries as major sources. In 2010, Vietnam spent around \$1.1 billion US on imported timber and timber products, or 32% of the export revenue.

Despite the Forest Sector Development Strategy's target that 80% of raw materials be domestically produced by 2020, the slow development of forest plantations in addition to pressures to even further reduce levels of harvesting in the nation's natural forests for environmental reasons indicate that these targets will be difficult to meet.

- ***Certified or verified legal wood products, from either domestic or imported sources, is only a small component of the overall industry:*** Despite the Forest Sector Development Strategy's target that 30% of the forest area in the country be under certification by 2020, to date only about 15,000 ha of plantation forest and no natural forest are certified. Despite of the increasing market requirements for proof of legal sourcing from Vietnam's major export markets (the United States, EU, and Japan capture approximately 80% of Vietnam's US\$3.4 billion of wood product exports), the Vietnamese wood processing industry to date has been slow to respond. To date, less than 8% of the 3,000 companies as total in Vietnam have obtained Forest Stewardship Council (FSC) Chain of Custody (CoC) certification.

In the latter half of 2010, MARD in collaboration with the wood processing industry decided to move forward with a FLEGT VPA and the possible development of a timber legality assurance system (TLAS) that may help industry comply with the legality requirements of their export market.

- ***Government and industry interest in expanding to new markets:*** Government and industry are also seeking to diversify its consumer base, seeking to establish or expand new markets beyond the US, EU and Japan (e.g. Russia, India, Middle East, central Asia). This is to protect itself from regional recessions as well as to find markets for wood products that may not meet the more stringent requirements regarding legal or sustainable sourcing.

Reaching out to Vietnamese domestic markets is now a recognized goal. To date, domestic markets are dominated by products from China, Taiwan, Malaysia, Thailand, *not* Vietnamese manufacturers. Revenue derived from domestic markets for timber products accounts for 1/3 of the revenue derived

from timber and timber product exports. Meeting the needs of the domestic market, however, appears to bring additional transaction costs since individual orders would be smaller than the bulk orders of current international buyers.

- ***Continued efforts to issue land use certificates, clarifying land use rights, will likely help to facilitate any national efforts to define the legality of Vietnam's domestic timber supply and to increase volume of timber harvest from plantation and natural forest in the long run:*** While the government assigns user rights to different forest user groups, it maintains ownership rights to the forest resources itself. To date, large areas of production forest have been allocated to individual households, state forest companies, and local communities. However, many of them have not been granted land use certificates thus their legal status to the land has not been formalized thus constraining them from entering into economic transactions related to land.
- ***Majority of Vietnam's wood processing industry is privately-owned and of small or medium size, and half have some form of foreign investment:*** Vietnam has about 3,000 wood processing enterprises, 95% of which are privately-owned. Most of the enterprises are small and medium in size. The sector absorbs 300,000 labours. Approximately 28% export abroad. Approximately 50% have some form of foreign investment, mainly from Taiwan, Korea and the United States – causing some domestic concerns that economic benefits are primarily being captured by foreign companies. The current development of timber processing in Vietnam reflects what the Forest Development strategy emphasize: “Although the timber processing industry has developed rapidly in recent years, it is still ad hoc and unstable, lack of planning and a strategic vision, with weak competitiveness. The linkages and the production assignment are not yet developed.” (MARD, 2007:34).
- ***Potential impact of market requirements for legal timber unclear but likely to affect SMEs most:*** Market regulations such as the EU Timber Regulation and the amendments to the US Lacey Act bring both opportunities and risks for different kinds of industry. Larger companies with strong capital and resources may be able to capture the opportunity and derive more benefits from using legally certified timber and exporting to US, EU, and Japan markets. Small and medium sized enterprises (SMEs) with lower capital and capacity, and weak or no mechanisms for controlling legality of sourced timber, are more at risk. These SMEs may be those most likely to opt for the markets with less sensitive environmental requirements. Alternatively, SMEs may transition to being subcontractors for the larger enterprises, or disappear if they cannot to meet market requirements.
- ***Strong potential links between on-going Reduced Emissions from Deforestation and Degradation (REDD+) and FLEGT VPA processes:*** With Vietnam entering into negotiations with EU for a FLEGT VPA, many of the issues related to forest governance with the country, as well as the development of systems which ensure that only legally sourced wood products enter the borders from neighboring countries, will come into the spotlight. Forest governance issues lay at the core of both REDD+ and FLEGT processes, as well as concern over leakage into neighboring countries, indicating strong potential synergies. While virtually all observers acknowledge the links between REDD and FLEG (“no FLEG, no REDD”), the full synergies between REDD+ and FLEGT programs has not yet been fully explored beyond the conceptual level. Close collaboration between the two initiatives will require greater efforts on the part of government agencies, donor organizations and other stakeholders to first better understand both processes and then work collaboratively on design issues. In early 2010, the development of stakeholder engagement strategies for both were underway, but had not yet benefited from a review on positive synergies.

2. FOREST AND FORESTLAND TENURE

Vietnam has about 16.2 million hectares of forestland, of which 12.6 million are actually covered by forest. Forest cover increased from about 33% in 2000 to 39.1% in 2009, equaling to about 2.35 million ha (Tran The Lien, 2011). Forests in Vietnam are categorized into three main categories:

- (i) special use forest, mainly protected areas, accounts for 1.94 million ha.
- (ii) protection forest (4.38 million ha), mainly for protection of watershed, and
- (iii) production forest (6.28 million ha).

About 78% of forests in Vietnam are natural forest. The remaining 22% are plantation forest.

Forests and forestland in Vietnam are managed by the government. The government allocates use rights for forest production and protection to eight different user groups. According to the Forest Protection Department of Ministry of Agriculture and Rural Development (MARD), the key forest user groups as of December 2009 are:

(1) State owned companies (SFC) currently manage around 2 million ha of forest, 77% of which (1.55 million ha) are natural forest, and the remaining 23% are plantation forest. For the most part, SFCs can harvest timber from the area for production purposes. Some SFCs also manage protection forests, receiving budgets from central government; often local people are contracted to protect these forests. To date, many SFCs have not received land use certificates and therefore their rights to the land (e.g. ability to exchange, transfer, lease, mortgage, or pass the land on to a third party) are restrictive. In some areas, land conflicts occur between SFCs, district and/or commune authorities and local people;

(2) Management boards of protected areas (MBs) belonging to the state currently manage more than 4.3 million ha, primarily special use and protection forests for protection and conservation purposes. About 88% are natural forest, and the remaining 12% are plantation forests. MBs receive central government budget allocations, and in many cases, contract local people to implement protection and conservation activities;

(3) Individual households manage about 3.28 million ha, 59% of which (1.96 million ha) are natural forest, and the remaining 41% are plantation. More than 1 million households are involved in these programs; many have received land use certificates with clear rights and duty to the land and forests, but not all. In many areas, land boundaries on the ground are not clearly demarcated, or the boundaries on land use noted on the certificates do not match with actual boundaries on the ground. These are sources of many land conflicts;

(4) Commune People Committee (CPC) manage around 2.4 million ha, most of which (2 million ha) are natural forests. Owing to the lacking of staff and capacity, CPCs are often unable to effectively manage these areas. "Open access" issues are common. Despite governmental efforts to allocate these areas to other forest user groups, delays have been caused by lack of budget for allocation processes, weak collaboration between Ministry of Agriculture and Rural Development (MARD) (responsible for managing the forest resources) and Ministry of Natural Resources and Environment (MONRE) (responsible for managing the land);

(5) Community and mass organizations such as farmer unions, women and youth groups, manage approximately 850,000 ha of forest, 87% of which are natural forest. In Vietnam, communities are not yet

fully recognized as legal units. None of the community and most of mass organizations have received land use certificates, thus their rights to the land have not been formalized.

3. WOOD-PROCESSING INDUSTRY

Number and location: By 2010, Vietnam had more than 3,000 wood processing enterprises. 95% are private companies, with various levels of domestic and foreign direct investment or joint-stock arrangements; only 5% are state-owned. Between 2007 and 2009, the number of wood processing enterprises doubled, with the highest rate of development in the area of Ho Chi Minh City (where the number increase 380%). Other important timber processing clusters include Binh Duong, Dong Nai, Binh Dinh, and Quang Nam – Da Nang. The sector absorbs more than 300,000 labourers.

Levels of Foreign Direct Investment (FDI): Approximately 850 (or 28%) of Vietnam's wood-processing companies in Vietnam export their products (Nguyen Ton Quyen, 2010). The sector strongly attracts foreign direct investment. In 2008, almost half (421) of these export-oriented companies attracted investors from 26 countries (ibid.):

- Taiwan (183)
- Korea (38)
- UK (29)
- Japan (27)
- China (26)
- Malaysia (19)
- Singapore (14)
- Australia (11)
- USA (9)
- Hong Kong (7)

Most of the export value is captured by foreign-owned companies, raising domestic concerns about government policy regarding FDI (Nguyen Ton Quyen, 2009).

Size: Wood-processing companies in Vietnam are relatively small-scale. Of the current 3,000 enterprises,

- approximately 50% employ 10-50 labourers
- 20% employ 50-200 labours
- very few companies employ more than 200 labourers each; most of these companies are foreign-owned (Dawson, 2008).

Skills: The timber-processing industry in Vietnam is based on relatively low labour skills. Currently, of the 300,000 people working in the sector, only 3-5% of the jobs require high-level skills (marketing, management). 25-30% of the jobs are technicians, and the remaining are unskilled (Ngoc Linh, 2010).

Levels of processing: Before economic crisis starting in 2008, Vietnam was servicing higher levels of demand for on high value products. Currently, many of the industries are switching to medium value products, many of which are more suitable for less valued species such as rubber, and acacia, eucalyptus.

The quality of technology used in the Vietnamese wood processing sector is relatively poor and not able to satisfy requirements from larger international buyers who have high quality demands (Nguy Hong, 2010). Most equipment is imported from Taiwan or China, with only a few purchasing equipment from Germany,

Italy, and Japan (ibid.). The majority of the enterprises in Kon Tum, Dak Lak, and Binh Dinh provinces are using machinery that is between 6 and 15 years old (Dawson, 2010; Le Khac Coi, 2008).

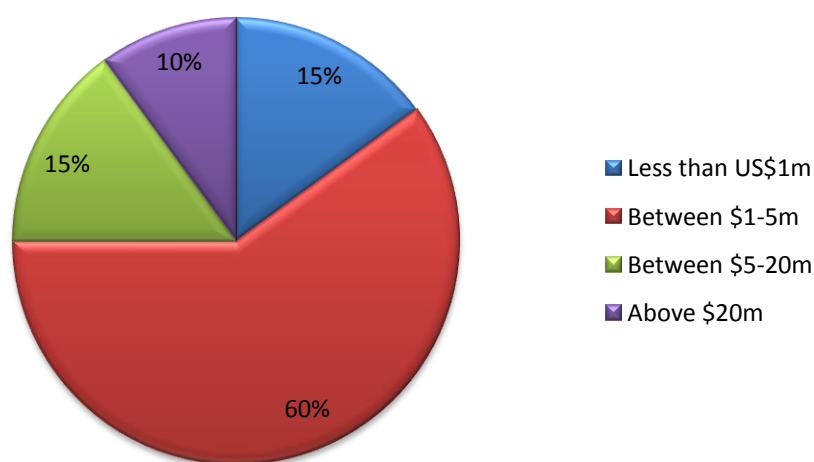
Revenues and costs: A survey of the wood industry in Binh Dinh province (one of the important timber processing clusters), shows that about 75% of the 60 companies surveyed have an annual revenues of US\$5 million and below (Le Khac Coi, 2008; Figure 1).

Despite the high levels of export revenues generated from Vietnam's wood manufacturing industry, the added value derived from export is low.

Vietnam depreciation of the currency while China purposely maintain the value of Yuan makes price of product in China 5-10% lower than the price of a similar product in Vietnam, also because of economy of scale in China. In the future, may be China will buy raw materials from Vietnam.

Regarding the cost structure, timber cost represents the main single costs, accounting for about 55%-60% (Dawson, 2010).

Figure 1. Revenue of Enterprises in Binh Dinh Province (2008)



Source: Le Khac Coi, 2008.

Capacity: A survey of the wood processing industry in Kontum and Dak Lak provinces show that the wood processing industry operated at only 69% and 57% of designed capacity in 2008 respectively (Dawson, 2010).

Certification / Legality verification: As of early 2011, only 233 (less than 8%) enterprises in Vietnam have obtained Forest Stewardship Council (FSC) Chain of Custody (CoC) certificates (FSC website, 2011). The pace of FSC CoC development in the country is slow, as compared to other countries like China, Thailand, and Malaysia. The main reason cited is that most of the companies are small and medium sized and cannot afford FSC CoC. Small levels of support have been provided to enterprises to obtain certification by initiatives such as the World Wildlife Funds' Global Forest and Trade Network (GFTN), The Forest Trust (TFT) and the Deutsche Gesellschaft für Internationale Zusammenarbeit (GTZ).

4. DOMESTIC AND INTERNATIONAL DEMAND FOR VIETNAMESE WOOD PRODUCTS

4.1 Wood Product Exports

In 2010, timber export revenue marked the highest level ever, at about 3.4 billion USD, or 15 times higher as compared to the 2000's (Nguyen Ton Quyen, 2011). On average, annual timber export revenue increased about 40% during the 2000-2010 period (ibid.).

Timber export revenues are an important component of Vietnam's overall gross domestic product (GDP) index. In Binh Dinh province, revenue derived from timber export in 2010 contributed 60% of the province's total income. In Dong Nai province, timber export revenues contributed approximately 20% of the provinces' income (ibid.).

Vietnamese manufactured wood products are exported to over 120 countries. (see Annex 1 for details on main timber export markets).

The US, EU and Japan account for more than 80% of Vietnam's export market for wood products, consisting primarily of bedroom, dining room, and kitchen furniture products (Hong Giang, 2010).

The US is by far the largest market, with almost three times the market share of the second highest market (Japan) and one of the only markets that maintained positive growth during the global economic crisis along with China, whose imports of Vietnamese goods increased 36% between 2008 and 2009 (table 1).

Table 1. Timber and Timber Product Export Revenues in 2008-2009 (thousand US\$)

Country of Export	2008	2009	Change (%)
USA	1,060.0	1,100.0	4%
Japan	378.8	355.4	-6%
China	145.6	197.9	36%
UK	197.7	162.7	-18%
Germany	152.0	106.0	-30%
South Korea	101.5	95.1	-6%
France	101.3	70.4	-31%
Australia	75.4	67.5	-10%
Netherlands	95.5	56.7	-41%
Canada	67.9	54.5	-20%
Others	449.5	331.1	-26%
Total	2,830	2,590	-8%

Source: MARD, cited from Nguy Hong, 2010

In 2010, however, Vietnamese wood product exports have revitalized (Table 2).

Compared to 2009, most of the export markets expanded in the first eleven months of 2010, with the large expansion in Singapore markets (163% increase), Malaysia (132%), Hong Kong (130%), China (120%), Canada (61.6%), India (55.6%), Belgium (44%), UAE (39.56), Italy (33%) and Turkey (31%).

Table 2. Timber Product Exports Revenue from Main Markets (Jan – Nov 2009 and 2010)

Country	Export Revenues Jan - Nov 2010 (US\$)	Change Compared Jan – Nov 2009 (%)
USA	1,266,000	29.3
Japan	405,645	28.7
China	369,756	119.9
UK	168,263	16.3
South Korea	124,236	50.7
Germany	99,913	17.2
Canada	77,673	61.6
Australia	77,756	22.4
France	66,632	26.2
Netherlands	58,212	21.7
Taiwan	41,861	34.6
Italy	32,621	33.1
Hong Kong	31,629	129.9
Belgium	27,849	44.2
Malaysia	27,069	132.5
Sweden	20,756	31.1
Spain	16,770	-0.3
Demark	13,759	-15.4
India	13,151	55.6
Singapore	11,150	163.4
Poland	8,873	21.4
Turkey	6,875	31.4
UAE	6,787	39.6
Finland	6,498	-16.9

Source: Customs Department, cited from Goviet, issues 24-25, Jan-Feb, 2011

Data from Custom Departments also indicate that the main export products are (i) furniture products; (ii) bed room furniture; (iii) chair; and (iv) raw materials.

In addition to traditional markets such as US, EU, Japan, and Australia, new markets are being actively explored by the government and industry, with specific thoughts about expanding into Russia, India, Central Asia and Eastern Europe (Nhat Son, 2010). New markets such as India, UAE, Turkey have expanded quite quickly in recent years, albeit from a smaller base.

4.2 Domestic Markets

With over 87 million people and rapid developments in its estate market, Vietnam is sliding into the middle income country group. Domestic markets for wood products are increasingly recognized by government and industry as an important market which has been to-date dominated by other Southeast Asian suppliers.

Annual sales in the domestic market is estimated at around US\$ 0.8-1 billion in recent years (Nguyen Ton Quyen, 2009b), or about 1/3 of export market revenue.

To date, the domestic market has been largely neglected by the Vietnamese companies, allowing this market to be supplied by Chinese, Taiwanese, Hong Kong, Malaysian, and Thailand imports. These countries currently account for approximately 80% of market share, with domestic products accounting for the remaining 20% (Nguy Hong, 2010). Products sold in domestic markets are usually made from low value timber and MDF with reasonable prices and are targeted towards the low and middle income consumers in the country (ibid.).

Increasingly stringent requirements of export markets such as the California state New Formaldehyde Emissions Limits, EU Timber Regulation and amendments to the US Lacey Act requiring due diligence on legal sourcing has made the Vietnamese domestic markets more attractive. Industry perceives 3 main comparative advantages of domestic companies when completing with the foreign suppliers currently dominating the domestic markets:

- better understanding on market demands and culture of domestic consumers;
- 85% of domestic consumers buy products from existing traditional distribution networks such as retail systems, whereas almost all foreign company use the newly modern established systems; and
- lower transportation, distribution, and marketing costs (Cited in Nguy Hong, 2010).

During its rapid expansion during the 2000s, the Vietnamese export-oriented industry received orders from international buyers, with the buyers providing product designs and controlling the distribution of products in export markets. As a result, the Vietnamese companies are in a weak position as they lack skills and capacity product design, marketing, and how to establishment of product distribution networks (Ngo Sy Hoai, 2010). The burgeoning Vietnamese housing market will require a wide range of products – from doors, moldings and flooring to chairs, beds, etc. At this point, most Vietnamese companies would have difficulty broadening its range of products (ibid.) especially as the individual domestic orders are likely to be smaller, resulting in higher transaction costs than required by larger bulk orders, and require more complex designs to satisfy the Asian consumer market preferences.

5. SOURCES OF SUPPLY

5.1 Timber Imports

In 2010, about 6.4 million m³ of roundwood equivalent (RWE) was needed to support Vietnam's growing wood processing industry. 1.6 million m³ of this supply originated from domestic supply. Vietnam imported 4-5 million m³ RWE, or 80% of the total raw material needed for its wood processing sector (Nguyen Ton Quyen, 2009 a). Wood imported to Vietnam come from 600 different vendors from 26 different countries and territories (Infortv, August 2010).

In 2007, the import value was US\$996 million, roughly 39.8% of the total export value. By 2010, this figure had increased to US\$1.1 billion, but only 32.35% of the export value (Nguyen Ton Quyen, 2011).

Table 3. Import Value by Country (Jan – Nov 2010)

Country	Total Import Revenue Jan - Nov 2010 (thousand US\$)	Changes Compared Jan - Nov 2009 (%)
China	152,531	47.23
Laos	137,923	53.51
USA	135,988	52.40
Malaysia	103,155	-12.96
Thailand	78,946	48.55
New Zealand	69,904	24.90
Cambodia	38,841	11.82
Brazil	30,194	23.15
Indonesia	17,932	67.18
Chile	17,759	83.03
Finland	12,543	98.18
Australia	10,656	-20.48
Germany	10,616	117.63
Taiwan	7,456	-33.17
Sweden	7,164	64.69
Canada	6,746	12.88
Italy	5,499	-29.56
South Korea	5,370	-22.31
France	4,886	33.79
Japan	4,805	5.77

Source: Customs Department, cited from Goviet issues 24-25, Jan-Feb. 2011.

In terms of value, the three main products imported to Vietnam are sawnwood (6 mm), logs and roughly processed wood, and plywood (Customs Department as cited in Goviet, 2011) China, Laos, Malaysia, Thailand, and Cambodia are among the largest timber exporters for Vietnam (table 3). Imported value from these countries has shown an increase over 2009. Largest increases in 2010 were imports from China, Germany, Finland, Indonesia, and Laos.

US imports are mainly hardwood sawnwood, whereas Southeast Asian imports are mainly logs and sawnwood. A detailed description of imported markets can be found in Annex 2.

5.2 Domestic Sources of Timber

The Vietnam Forest Development Strategy 2006-2020 (VFDS) sets a 2020 target of the establishment of 8.4 million ha of production forests. Of this, 4 million ha are planned plantations (up from the current 2.9 million ha in 2009) and 4.4 million ha natural forests. From these forests, an estimated 10 million m³ large diameter and 10-14 million m³ small diameter timber will be harvested both plantations and natural forests for industrial use.

However, as the volumes of timber from natural forests is relatively low and will most likely remain so (and possibly even further decreased due to other government programs, including Reduced Emissions from Deforestation and Degradation (REDD), pressures for expanding Vietnam's land area under forest plantation will increase, as well the need for improved quality timber from remaining production natural forests. The planned expansion of plantations by an additional 2.9 million ha in 2009 will be difficult. The availability of land will be the major constraint. In many areas, land has already been allocated to individual households with small fragments, making it difficult to large tracks of contiguous land (Nguyen Ton Quyen, 2009a). In many upland areas, the lacking of infrastructure and labour will make expansion difficult.

The VFDS sets a target that by 2020 30% of production forest (more than 2.4 million ha) will be certified under certification schemes. At present, however, none of the natural forest and less than 19,000 ha of plantation forest has been certified (www.fsc.org).

5.2.1 Timber Harvested from Natural Forest

Volumes of timber harvested from natural forest has decreased over the past decade due to increasing concerns over environmental issues in the country. The total volumes timber harvested from natural forests decreased from around 1 million m³ in 1990 (equalling to 31,000 ha) to around 200,000 m³ (5,400 ha) at present (Cao Chi Cong, 2011). Timber harvesting is exclusively implemented by State Forest Companies (SFCs) in 17 provinces (ibid.) but is concentrated mainly in the central highland provinces where the majority of the remaining large-size diameter trees are located.

Legal frameworks for timber harvesting exist, but some SFCs are not in compliance. Sustainable harvesting has been promoted by the government and donors like GTZ, KfW, and ADB. A total of 9 SFCs have been selected to pilot sustainable forest management (SFM) models,¹ but so far only 6 of which have completed their SFM plan (Cao Chi Cong, 2011). To date, no natural forests areas have been certified under standards such as the Forest Stewardship Council (FSC) or the Pan European Forest Certification (PEFC). The main reason cited is the lack of financial resources. Without external support, these SFCs are unlikely to develop and adopt SFM plans.

¹ There is no data on the total forest areas under the piloting available to public

Conversion Timber

Annually, another 200,000 m³ of natural timber is obtained from lands converted to other uses ((around 24,000 ha has been converted mainly for agro-business projects) or illegally harvested timber which has been confiscated.

Governmental plans for the rapid expansion of rubberwood plantations will likely be the driver behind much of the conversion timber likely to enter the market in the next two decades. Rubber export revenue has been among top ten in terms of dollar export earners for the country, and is now a driver for the government to expand the area allocated to rubber plantations, often at the expense of natural forest. In 2009, the Prime Minister declared that rubber plantations in the country should expand to more than 150,000-200,000 ha by 2020 (see Table 4).

Table 4. Government Plan for Rubber Plantation Expansion by 2020

Region	New Area Intended (ha)
Southeast	25,000
Central Highlands	95,000 – 100,000
Coastal Area of Central-South Region	10,000-15,000
North Central region	20,000
Northwest region	n.a
Total	150,000-200,000

Source: Data obtained from the Decision 750/TTg

In principle, Vietnamese laws and regulations stipulate that only degraded forests can be converted into rubber plantations. In reality, however, large areas of secondary forests have already been converted into rubber plantations (Tuotire online, 7 April 2010; Phatluat Vietnam, 17 November 2010). Many people believe that the development interest in rubber plantations and agri-business projects may be solely to justification of the harvesting of the natural timber, with possible abandonment of the projects once the timber has been harvest.

5.2.2 Plantations

In 2009, the total volume of plantation wood harvest from plantation hovered around 3.7 million m³. The majority of the harvests (85%) were on small diameter trees, and used for paper and wood chips mainly destined to export markets such as Taiwan, Korea, Japan, and China. Only 15% of the harvested trees had large enough diameters to be used for furniture production.

The development of Vietnamese forest plantations is a priority agenda for the government. The Vietnam Forestry Development Strategy 2006-2020 (VFDS) specifies that by 2010 plantation forests in the country will supply 3.7 million m³ of large diameter timber to the wood processing industry. This will increase to 10 million m³ by 2020. If these aggressive targets are reached, 80% of the raw materials needed for Vietnamese industry will be domestically supplied (compared to the current 20%).

The 2010 benchmark objective of the Forestry Development Strategy was not reached, agenda. The area of plantation forest has been increasing only about 0.1 – 0.2 million ha per year, mostly in the north-east and central areas (Nguyen Ton Quyen, 2009a).

6. EMERGING MARKET REQUIREMENTS AND PONTENTIAL RISKS FOR EXPORT-ORIENTED VIETNAMESE WOOD INDUSTRY

6.1 Legislative Measures and Purchasing Policies

As mentioned earlier, the three most important export markets for Vietnam, which are US, EU, and Japan. In these countries over the past ten years, there has been a rapid increase in demands for products which meet varying environmental and socially responsible requirements. Major components of this shift in demand are as follows:

i) Increasing retailer purchasing preferences: The first major sign of changes in demand came more than ten years ago with increased market preference for certified wood products, such as the Forest Stewardship Council (FSC). Buyers from North America, Europe and Japan wanted to show corporate responsibility and minimize risk (reputational risk, supply sustainability, and lately, new risk against prosecution under the US Lacey Act). Major international companies such as WalMart or Carrefour now require suppliers to be able to not only document country of origin of timber sources, but also demonstrate sustainability through 3rd party verification systems. The UK Timber Federation established strict purchasing policies for all its members, which resulted in several contracts with Indonesian and Chinese suppliers being cancelled.

Today, while many private purchasing policies accept legal timber as a minimum, most require progress towards certification. Therefore, while proof of legality is useful, it may not be adequate for those who are requiring proof of sustainability. One way to go for this is certification. However, in Asia, with large tropical logs and sawn wood producing countries such as Indonesia, Malaysia, and PNG, the forest areas under certification are small. Data from FSC show that only 2.56% of the total forest area in Asia are certified (FSC, 2010)²

While the volumes of certified timber remained small and brought few premiums for sellers, it did help a few forward-looking wood product producers to establish a market niche – providing an opportunity to enter new markets. Within a few years of the increased consumer and retailer demand for certified wood, European and Japanese public procurement policies helped to boost the demand for these products.

ii) European and Japanese Public Procurement Policies: By the mid 2000s, several European member states and Japan were individually developing and adopting timber public procurement policies which required 3rd party evidence of legal origin or compliance or sustainability. The UK, Denmark, Germany, France and Spain took early leads. It was estimated that central government purchases accounted for 15-25% of all timber products purchased in most EU Member States, and many local governments

² FSC. Global FSC certificates: types and distribution. June 2010. This report shows that there are 9 certified forest areas in Indonesia with a total area of 1.1 million ha, 1 area in Laos (50,775 ha), 5 in Malaysia (203,842 ha), 4 in Thailand (7,643 ha). There is no certified area in Cambodia and Myanmar.

were encouraged to follow. There were additional spill-over effects into private procurement practices as suppliers did not like to keep separate inventories.

The European and Japanese public procurement policy changes provided another opportunity for certified forest products to increase their market share. By 2010, new regulations in the US and Europe are expected to rapidly increase this demand by degrees much larger than seen before (see below).

iii) Amendments to the US Lacey Act (2008): In 2008, the US Congress passed a new law making it unlawful to import, export, transport, sell, receive, acquire or purchase in interstate or foreign commerce any plant taken or traded in violation of the laws of the US, a US State, or relevant foreign laws. The law includes the concept of “due care” which is assessed during any prosecution to determine degree of penalty, and requires a statement of origin, species. The level of penalty is steep – with jail time, forfeiture of goods, or fines depending on degree to which company knew – or should have known – that it was handling illegal products. The first prosecution under the Lacey Act was in 2009.

iv) EU Timber Regulation (2010): The EU Parliament recently passed a law which requires all timber operators to establish “due diligence” systems which will minimize the risk of handling illegal timber. All operators (importers, traders, buyers, sellers) must know the country of origin, species, details of supplier and information on compliance with national legislations (“illegality” is defined in relation to the laws of the country where the timber was harvested).

These new regulations in Europe and the US, in particular, have made retailers realize that they need to buy certified or verified legal product in order to escape possible prosecution or fines. In the US, more retailers (55 percent) now consider it “essential” that producers be 3rd party certified – up from 27 percent in just 2007.

Each of the market signals described above has different specific requirements, but all share some fundamental similarities. These similarities include the demonstration of “due care” or “due diligence,” – a flexible concept that encompasses the efforts that a company should take to ensure that its supply chain is untainted with illegal wood. Virtually all also share the requirement that operators must be able to document the source of origin of the harvested wood.

Industry has complained that it is difficult to comply with all these similar, but different, requirements. While not a guarantee, importing goods certified under a credible and robust certification standard³ is likely to be given significant weight by United States and European enforcement personnel in any given investigation into (or assessment of the legality of, and any criminal liability related to any imported goods). By constituting due care and keeping illegal material out of supply chains, credible certification standards implemented appropriately are likely to help protect importers from many penalties.

³ No assessment has been done to compare the robustness of the various national and international certification standards. But it is highly likely that those schemes which have a national standard agreed by consensus with major stakeholder groups, based on nationally applicable forest laws, and include thorough physical inspection of forest and supply chain by independent accredited auditors, are likely to be considered more robust than others.

6.2 Market Opportunity or Market Vulnerability for Vietnam's Exporters?

As with any market shift, producers and manufacturers can either try to take advantage of new opportunities to gain greater market share, or possibly watch their existing markets dwindle. The EU, US, Japan, and other relatively environmentally sensitive markets in Australia and New Zealand account for 50% of the world's net imports. Yet only 8% of the world's globally traded wood products are certified (FAO 2009) – indicating that those countries which are able to supply these markets first with certified or verified legal product will likely be able to gain market share. Africa has 7 million ha currently certified by FSC yet, seeing the market opportunity in Europe, some African trade associations with their European partners are gearing up to get an additional 5 million ha certified by 2012.

With a large proportion of their wood products exported to the most environmentally-sensitive markets in the US and Europe and to a lesser extent in Japan and Australia, Vietnam's industry, like its competitors in Indonesia and China, are potentially vulnerable to these shifts, or can seize this as an opportunity, particular in the plywood, wood furniture and wood flooring sectors.

Sourcing timber from abroad including the neighbouring countries, Vietnamese industry are exposing to various kinds of risk such as timber is illegally harvested, wood harvesting in violation of traditional or civil rights, wood harvested from forest with high conservation values, conversion timber, etc. Table 5 summarizes different kinds of risk faced by the Vietnamese companies when sourcing timber from these countries.

Table 5. Summary of Risks Associated With Timber Imports from Some Asian Countries

Country	Evidence	Possible Risks
Lao PDR	The Government of Lao PDR prohibits the export of logs and sawn wood harvested from natural forests, but salvage timber from hydropower construction sites tend to be associated with illegality (Proforest, 2009). Land conversion and timber harvesting outside the designated areas and under-reporting of harvesting volume are observed (Forest Trends, 2010). Large-scale illegal logging involving military has been taking place (www.illegal-logging.info) There are gaps between central and local government in terms of forest regulations (Forest Trends, 2010). Excessive corruption at customs clearing, harvesting quota allocation and all along the documentation clearing process (Global development solution, 2005). Wood harvesting without consultation with local people is observed (Baird, 2010)	Illegally harvested wood (e.g. harvest outside the designated areas). Wood harvesting in violation of traditional right. Clear cutting threatens high conservation value. Timber harvesting from land conversion areas (e.g. rubber plantation). Vietnamese government signed the CITES which prohibits imports of rare Laos trees. Vietnamese companies importing such trees from Laos would violate the laws.
Cambodia	Most of export-oriented logging in Cambodia is illegal and unsustainable (Proforest, 2009). Timber logging is heavily associated with corruption (Global Witness, 2007). The government issued timber export in 2009 thus timber entering Vietnam without proper and reliable documents is illegal (Proforest, 2009). Despite the ban, many of the forest concessions appear to be active (Barney 2005). Forest conversion to rubber plantation has been observed (Global Witness, 2007). There is still considerable scope for illegal logging and transportation across borders (www.illegal-logging.info) The implementation of policies and regulatory frameworks is hampered by a lack of institutional capacity which opens space for corruption practices.	Same as above. Evidence that timber harvested in Cambodia, entered Vietnam from Laos have been found (Baird, 2010)
Myanmar	Large quantities of timber are being smuggled out of the country (http://www.illegal-logging.info/approach.php?a_id=80 ; Proforest, 2009). It's likely that illegality is associated with Myanmar's exports of timber to China and other destinations including Vietnam (Proforest, 2009). The EU and US have imposed sanctions on Myanmar military regime, which were extended in 2007 to prohibit the import of all timber products and other materials. This implies timber entering Vietnam is illegal. Furniture made out of Myanmar timber exported to the EU and US thus are against the sanction.	Same as above. Importing timber from Myanmar would generate an accusation of supporting the military junta government.
Malaysia	Almost 60% of Malaysia's land areas is covered with indigenous forestland (www.illegal-logging.info). Exports from Sarawak with high areas of indigenous forest where implementation of customary law is weak are likely in violation of customary rights (www.bmf.ch/en/news?show=129). Forest conversion is permitted in some areas, but it's not clear if the conversion is properly authorized.	High risk of customary right violation; illegal timber from other countries (e.g., Indonesia) might have been laundered in the country before it is exported to the third country.

	<p>Malaysia has been accused of being a conduit for trade in illegally harvested timber products from Indonesia (www.illegal-logging.info). Despite of the effort of the government in tightening the timber trade between the two countries, accusation of the country importing illegally harvested timber from Indonesia still remains (ibid.)</p> <p>At least some of the logs and sawn wood which documents claim is imported from Malaysia may come from other countries (FroForest, 2009). Estimates show that 5% of production and 70% of log imports to the country is “suspicious” timber (Miller et al., 2006).</p>	
Indonesia	<p>About 60-80% of production, 55% of plywood exports, and 100% of log exports from the country are “suspicious” (Miller et al., 2006, www.illegal-logging.info). A large volume of logs are still smuggled out of the country particularly Malaysia and Singapore despite of the government’s ban on raw log export, for onward shipment after milling, with possibility of fake documents disguising the country of origin (Proforest, 2009; www.illegal-logging.info).</p> <p>The illegal trade on ban species like merbau is still taking place, with this species harvested in Indonesia and being traded in China and Singapore (EIA and Telapak, 2010). The government is in charge of logging quota allocation, but actual harvesting volume well exceeds the amount allowable cutting volume (www.illegal-logging.info).</p>	Illegally harvested timber; harvest in violation of customary areas. Timber harvest from the forest with HCVs.
PNG	<p>About 20% of the timber production and 60% of log export are “suspicious” (Miller et al., 2006; Forest Trends, 2006). There are serious legal non-compliance issue in forestry sector (Proforest, 2009). It is not clear how much timber from plantation forest is imported to Vietnam, and if the company harvesting timber from certified forest areas complies with all legal requirement (ibid.). Massive amount if merbau illegally harvested in PNG have flown to Malaysia, Shanghai, Hong Kong for further shipment (EIA and Telapak, 2005)</p>	Same as above.

In order to mitigate the risks, the companies sourcing timber from the above countries should pay a strong attention to a number of important issues such as the country of origin, presence of logging permits in the country, timber harvesting and possible linkages with protected areas, species, and complexities of supply chain.

very little is known how much of Vietnam's wood products is sourced from certified sustainable or legally verified forests, and can be traced by credible chain of custody (CoC) systems. If all of Vietnam's wood products have documented source of origin and 3rd party proof of legality (if not sustainability), then Vietnam's exports to Europe, the US and Japan should not be considered vulnerable.

There are significant challenges in determining whether Vietnam will be vulnerable to these new market requirements, or will be well placed to take advantage of new market opportunities. The lack of high quality and detailed information hinders attempts to determine the true impact.

Certain exporters, faced with uncertain documentation from supplying countries such as Papua New Guinea or the United States, may decide to export wood products to Europe or the United States anyway, incurring varying degrees of risk. As time passes, traders will become more familiar with the enforcement and penalty risk they incur if they send undocumented or unverified wood products into the US or Europe in particular. Undocumented wood products sourced from raw materials from the United States, for example, will be seen as less risky than undocumented wood products from central Africa due to the perceived differing levels of basic forest governance in these source countries.

As some countries begin to run out of natural forests and plantation development programs have yet to come on-line, or other countries such as Indonesia begin to implement their own legality standards, the volumes of wood materials exported to Vietnam will likely shift, but in a highly complex manner as several factors come to play such as:

- Harvesting levels will decrease due to lack of forests or new sustainable harvesting levels;
- Domestic policy makers may desire to take advantage of new market niches available to the wood certified under new legal standard (e.g. the Indonesian SLVK) and keep it reserved for domestic value added processing; and/or
- Higher prices for certified logs
- Impact on domestic production to potentially offset reductions in imports from riskier countries

While it is acknowledged that legality and certification systems can create additional challenges for forest-based enterprises (both large and small) due to the cost of implementation, the changes in market or trade structures could also be positive, allowing benefits to outweigh the costs.

ANNEX 1. VIETNAM FOREST PRODUCT EXPORTS

In 2008, Vietnam exported 3.59 million RWE m³ of timber products (equalling to \$2.33 billion US), and another 4.59 million RWE m³ of paper and pulp products (US\$577 million) abroad (of which 85% was wood pulp).

Figure 2. Vietnam Forest Products⁴ Exports by Country (million m³ RWE)

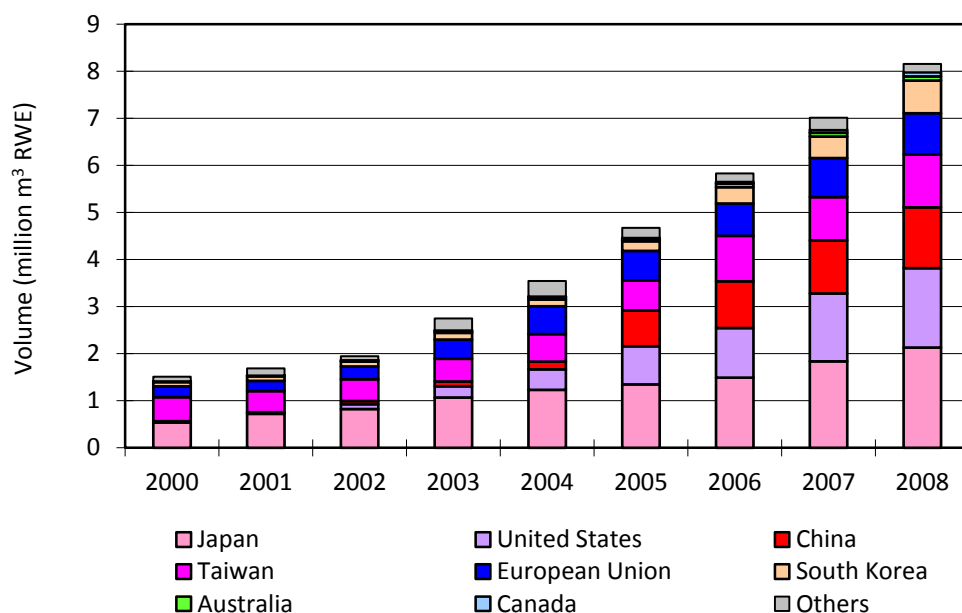
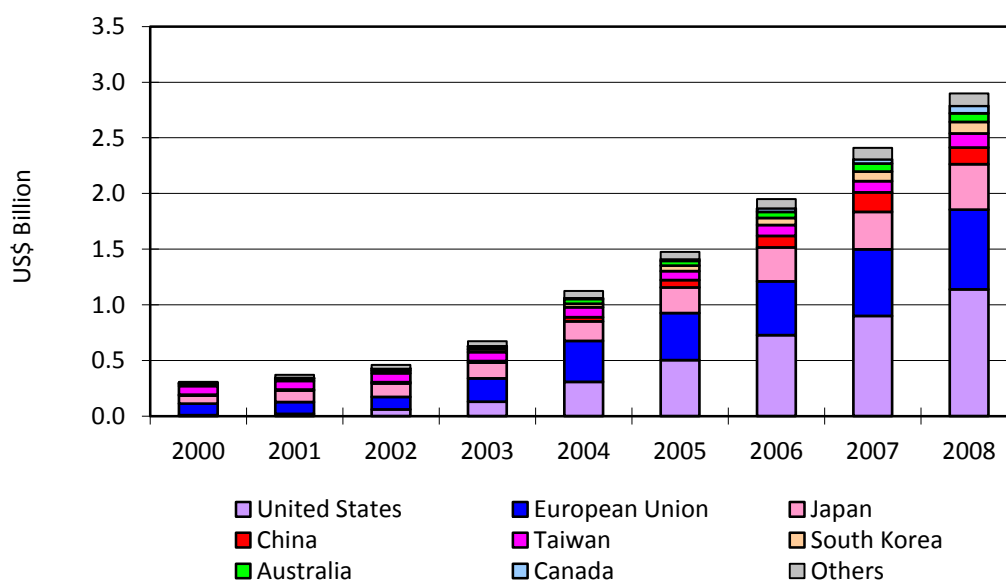


Figure 3. Vietnam Forest Product Exports by Country (US\$ billion)



In terms of export volume, Japan, US, China, Taiwan, and EU are the top five countries importing 87% of the total volume of forest products from Vietnam (Figure 2). However, export value does not follow this ordering, with the US being the country of the highest export value to Vietnam, followed by EU (Figure 3). In 2008, Vietnam derived US\$ 2.88 billion from forest product exports, 90% of which were derived from USA, EU, Japan, China and Taiwan.

Figure 4. Vietnam Timber Exports by Country (million m³ RWE)

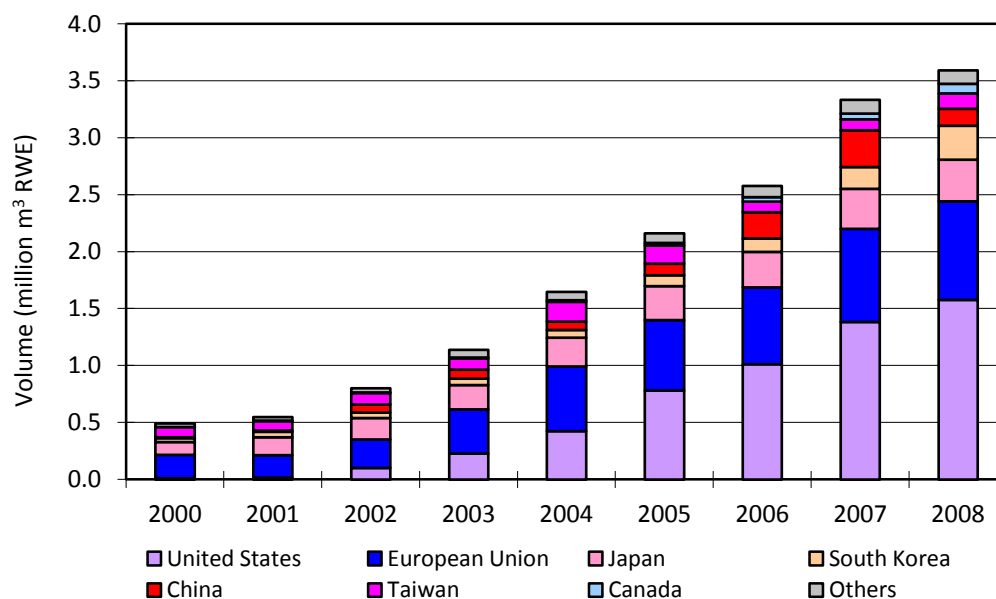
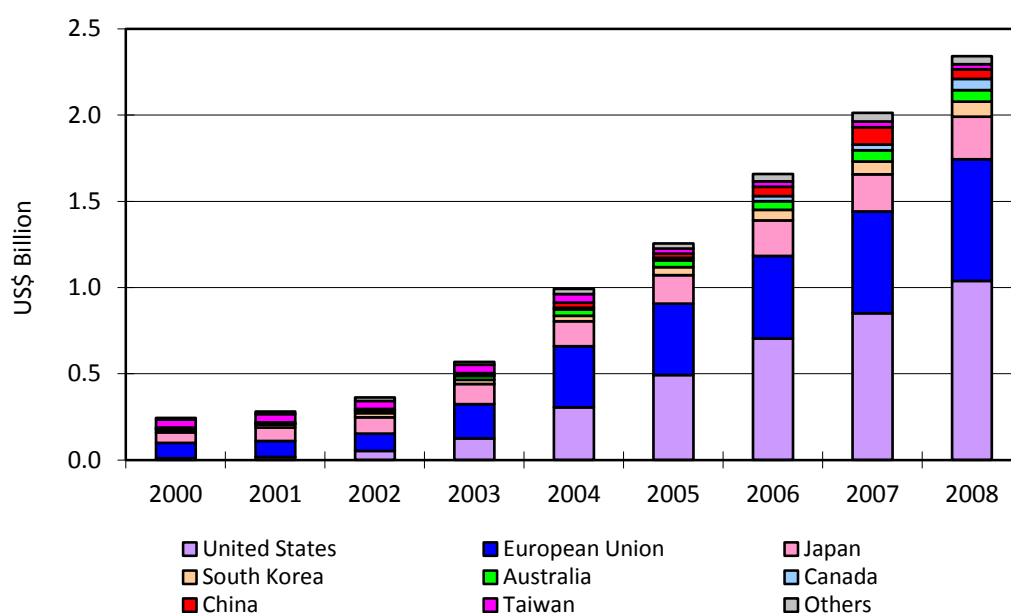


Figure 5. Vietnam Timber Exports by Country (US\$ billion)



At a total value of 3 million m³ RWE, furniture made up 80% of the total 3.6 million m³ RWE timber products exported in 2008 (Figure 6). This corresponds to the highest export value derived from furniture exports at over US\$ 2 million (Figure7).

Figure 6. Vietnam Timber Exports by Product (million m³ RWE)

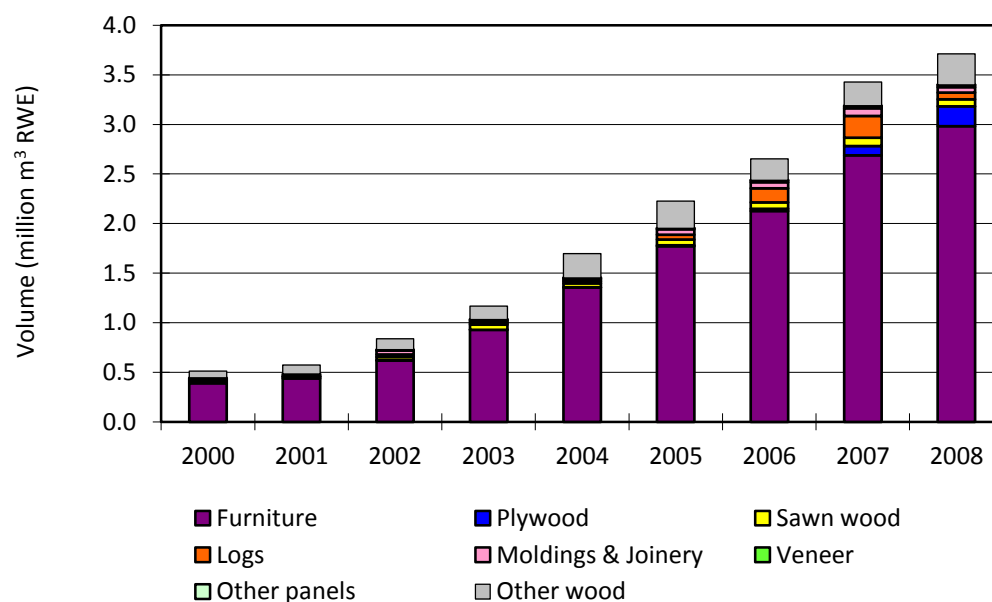
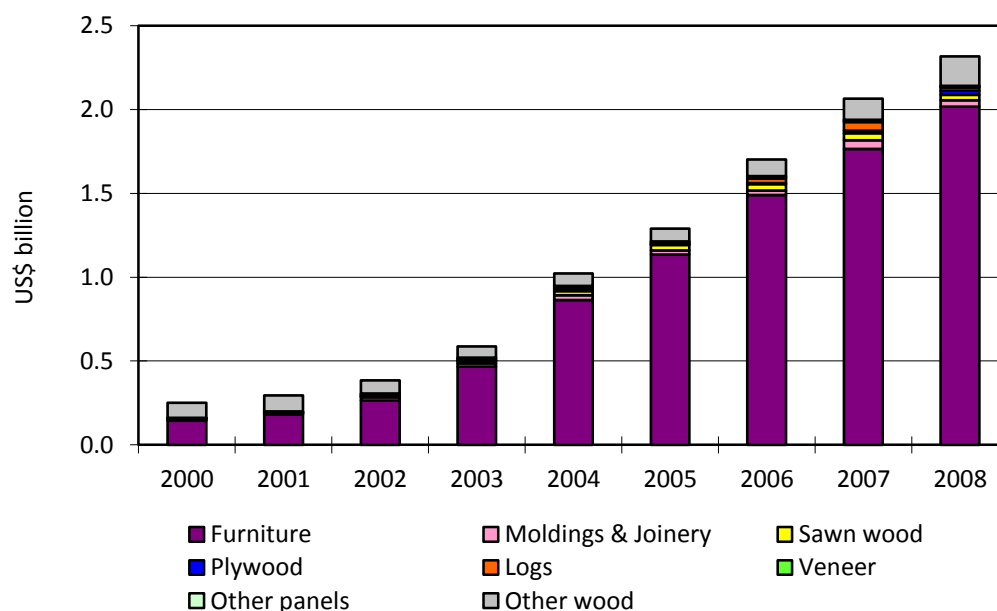


Figure 7. Vietnam Timber Exports by Product (US\$ billion)



In addition to timber products, Vietnam exports a large volume of pulp wood and paper. In 2008, the country exported a total 4.6 million m³ RWE of paper-based products, from which it derived \$US 580

million. The market trend, shown in Figures 8-9, indicates the ongoing expansion of pulp and paper exports from Vietnam.

Figure 8. Vietnam Paper Exports by Product by Volume (million m³ RWE)

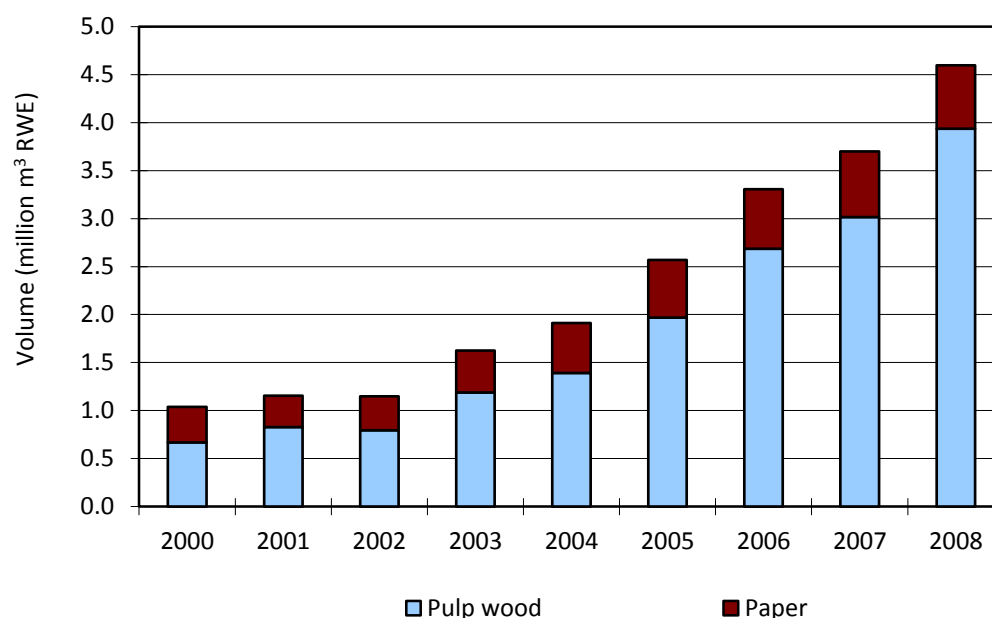
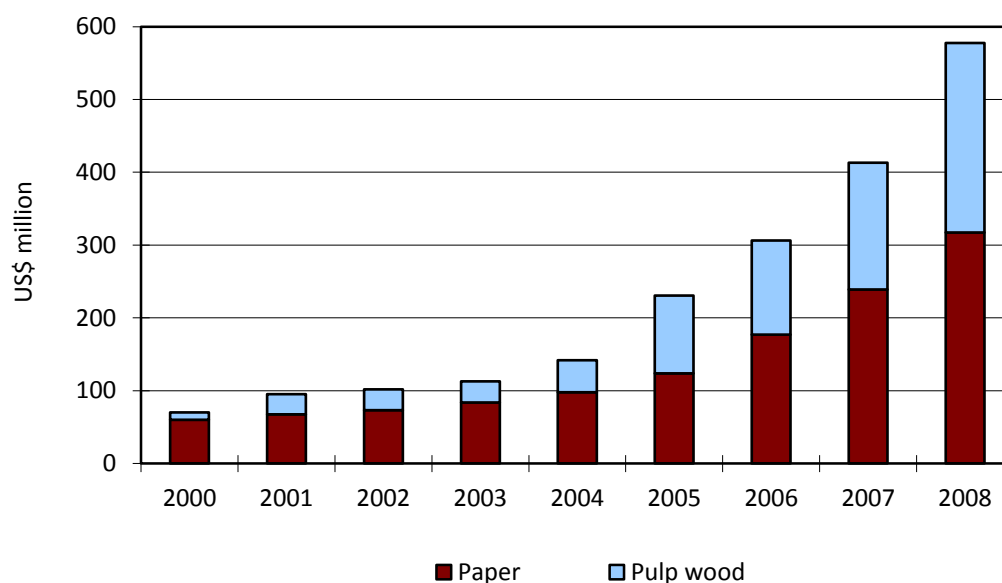


Figure 9. Vietnam Paper Exports by Product (US\$ million)



Exports to US

The US is the most important market for Vietnamese wood products, increasing rapidly from merely 10,000 m³ RWE in 2000 to more than 1.7 million m³ RWE in 2008 (Figures 10 and 11) and totally more than US\$ 1 billion. Almost 90% of the US market is for furniture. The trade data of 2000-2008 show a sharp increase in terms of both volume and value of furniture export to the US (Figure 11).

Figure 10. Vietnam Forest Product Exports to USA by Product (thousands m³ RWE)

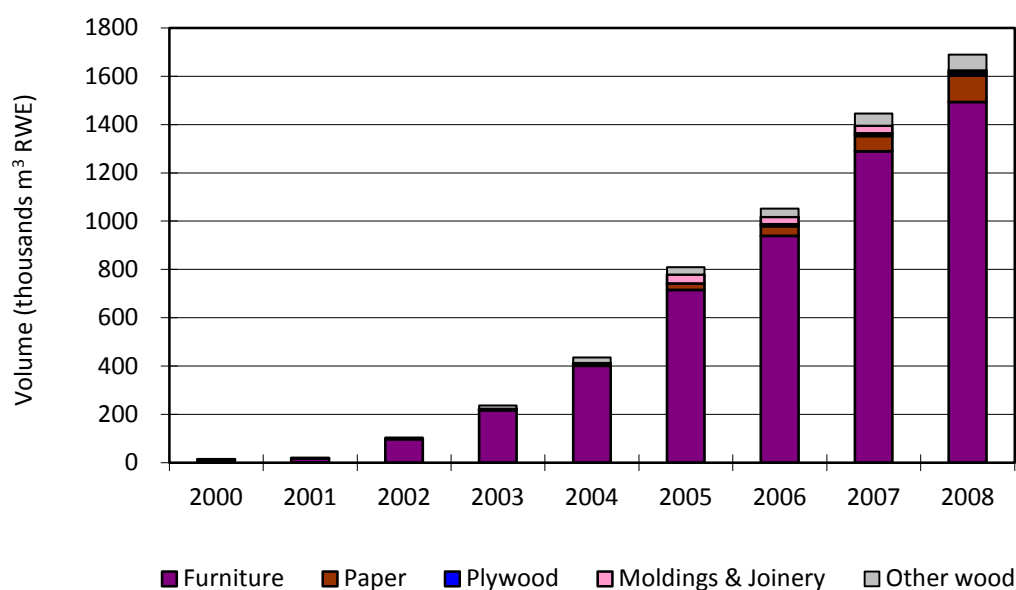
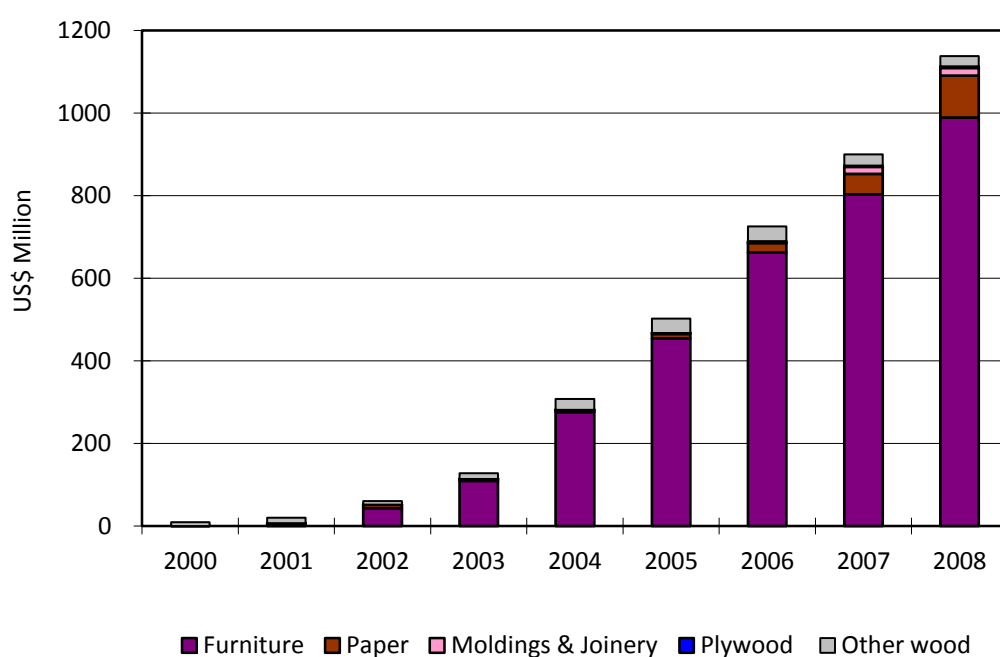


Figure 11. Vietnam Exports to USA by Product (US\$ million)



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www.euflegt.efi.int

Exports to EU

Vietnamese exports of forest products to EU have experienced a steady growth over the past 9 years, increasing from 200,000 m³ RWE in 2000 to over 800,000 m³ RWE in 2008 (Figure 12). Vietnam exported US\$ 716 million worth of forest products to EU in 2008 – a 600% increase over the 2000 level. Wooden furniture accounted for the majority of total forest products exported to the EU, ranging from 78% to over 88% between 2000 and 2008. Vietnam also exports paper and paper products, moldings and joinery, and other products to EU, although the value has been significantly lower than furniture (Figure 13). Exports of paper and paper products remained stable at about US\$ 10 million each year.

Figure 12. Vietnam Exports to EU by Product (thousands m³ RWE)

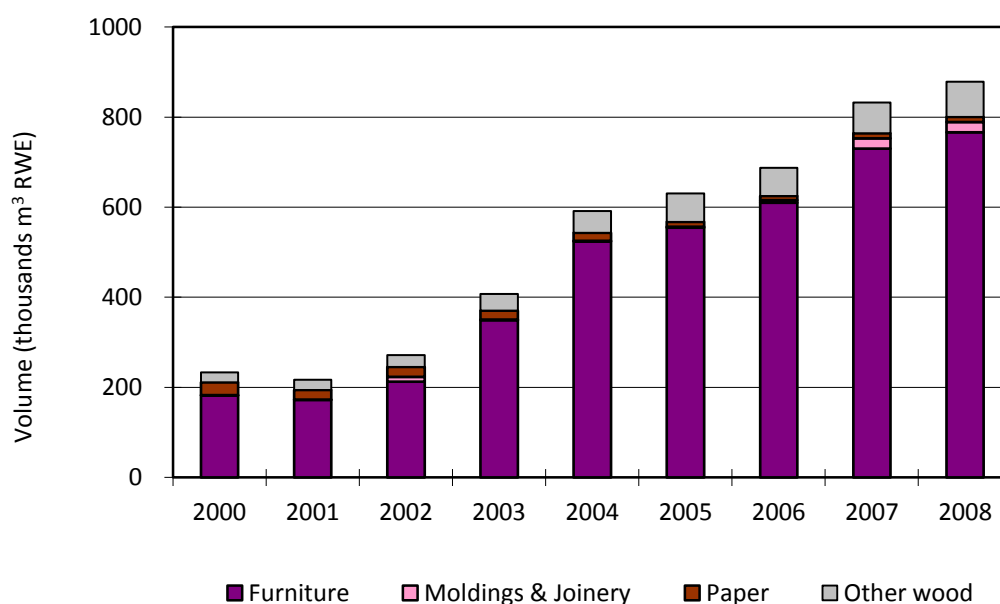
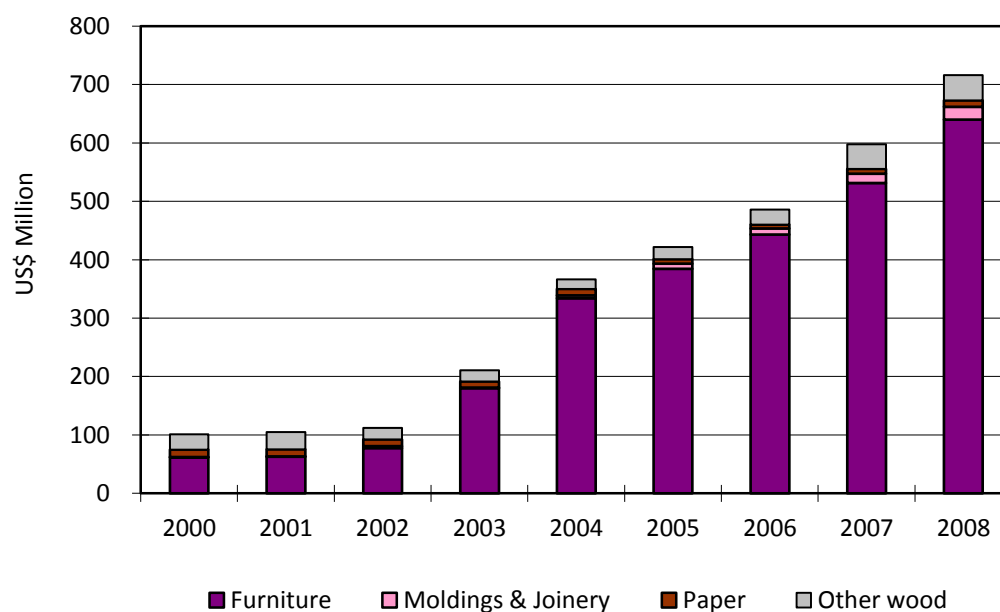


Figure 13. Vietnam Exports to EU by Product (US\$ million)



Exports to Australia

In terms of RWE volume, exports of forest products from Vietnam to Australia have experienced a steady increase during the 2000 and 2008 period, growing from 16,000 m³ RWE in 2001 to over 92,000 m³ RWE in 2008 (Figure 14). Furniture has been the largest product exported to Australia, with a total export value of US\$63 million in 2008, 16 times the amount of 2000 (Figure 15).

Figure 14. Vietnam Exports to Australia by Product (thousands m³ RWE)

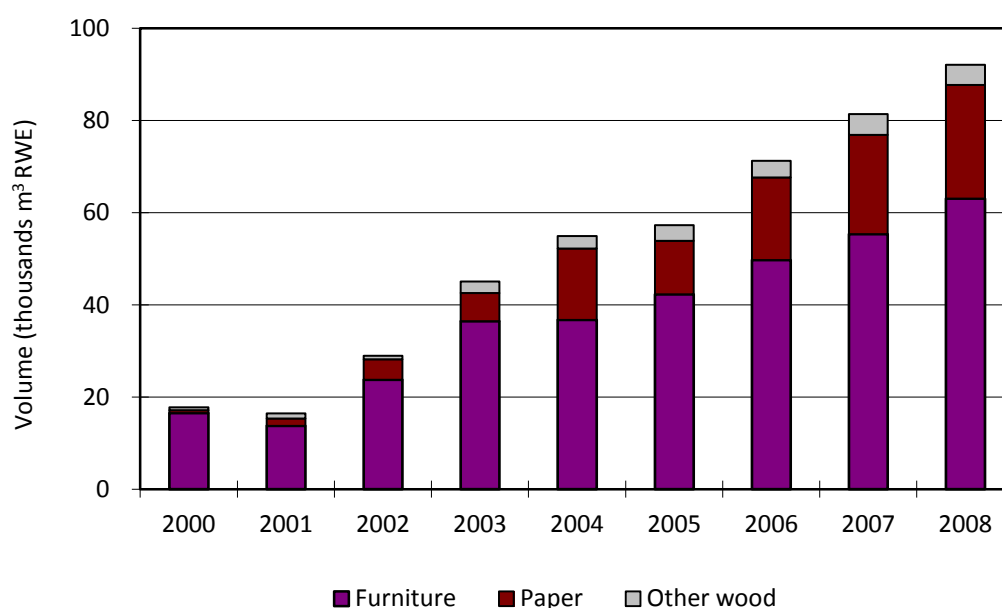
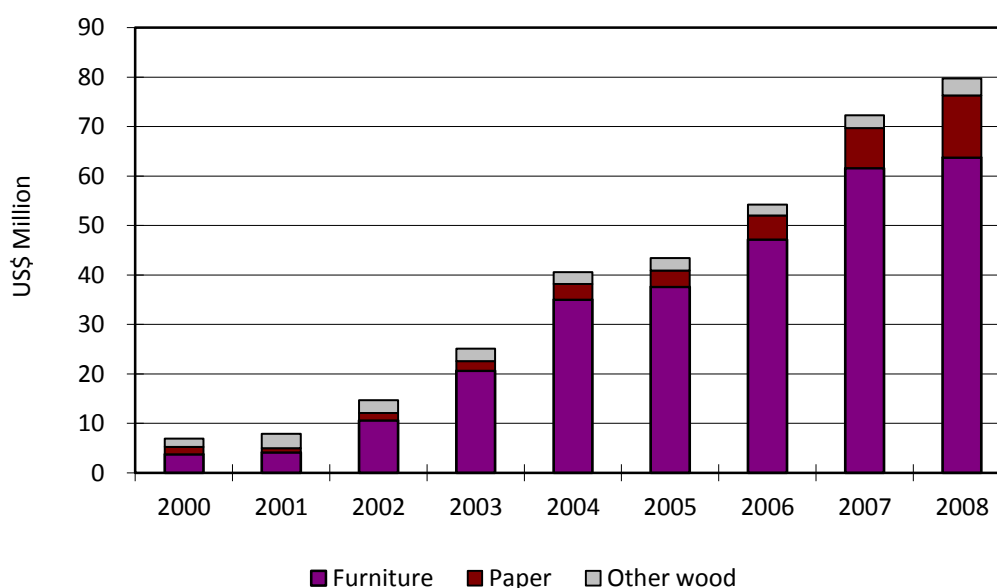


Figure 15. Vietnam Exports to Australia by Product (US\$ million)

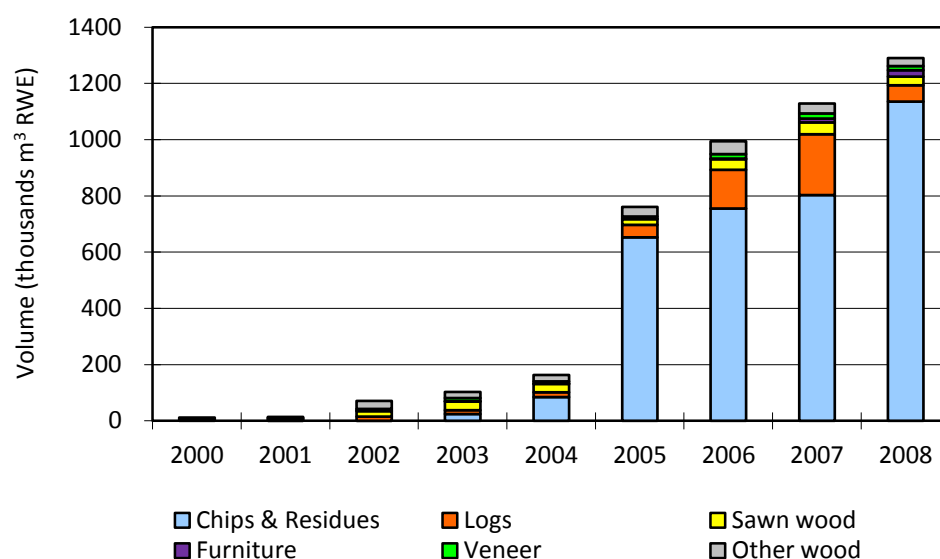


Exports to China

Forest products exports to China have experienced a rapid increase particularly during the period of 2004-2008. In 2008, China imported 1.3 million m³ RWE of forest products from Vietnam⁵, over 12 times as much as 2003. Chips and residues account for the largest share (88% in 2008) in the total export volume, followed by logs, sawn wood, furniture, and veneer (Figure 16).

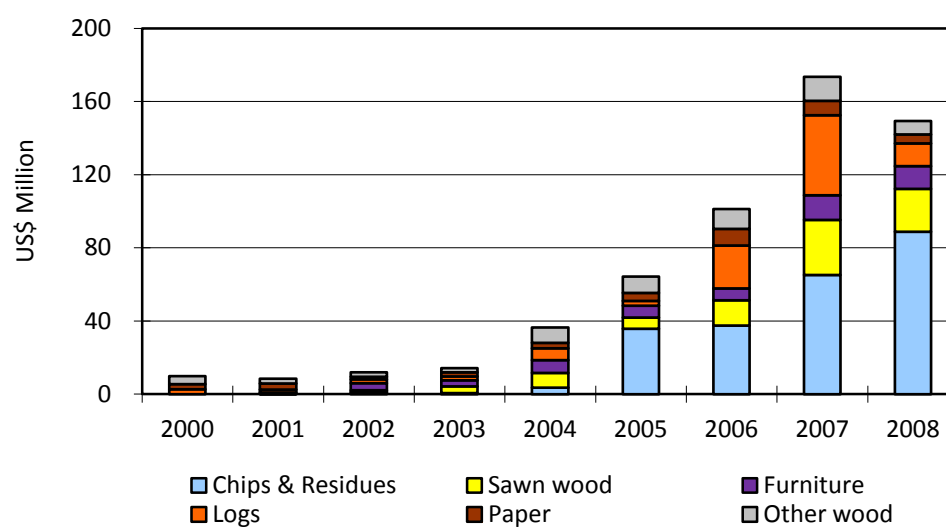
The value of forest product exports to China decreased by US\$ 24 million from 2007 to 2008 (Figure 17). Chips and residues were the largest export earner from Chinese markets, followed by logs and sawn wood, furniture and veneer.

Figure 16. Vietnam Exports to China by Product (thousands m³ RWE)



⁵ It is interesting to note, however, that mirror data from Chinese customs shows a decrease in Vietnamese imports between 2007 – 2008, China by 100,000 m³ RWE.

Figure 17. Vietnam Exports to China by Product (US\$ Million)



Exports to Japan

Japan is the largest importer of Vietnam's forest product exports (by volume), accounting for about 26% export market share, and the 3rd largest by value with 15% market share. In 2008, Vietnam exported around 2.2 million m³ RWE of forest products to Japan and derived US\$ 410 million from this market (Figures 18-19). Although chips and residues account for more than 80% of export volume, export revenue derived from these products is only 30%, 20% smaller than that derived from furniture. Both export volumes and values of furniture has remained steady in recent years, while sales of chips and residues has increased..

Figure 18. Vietnam Exports to Japan by Product (thousands m³ RWE)

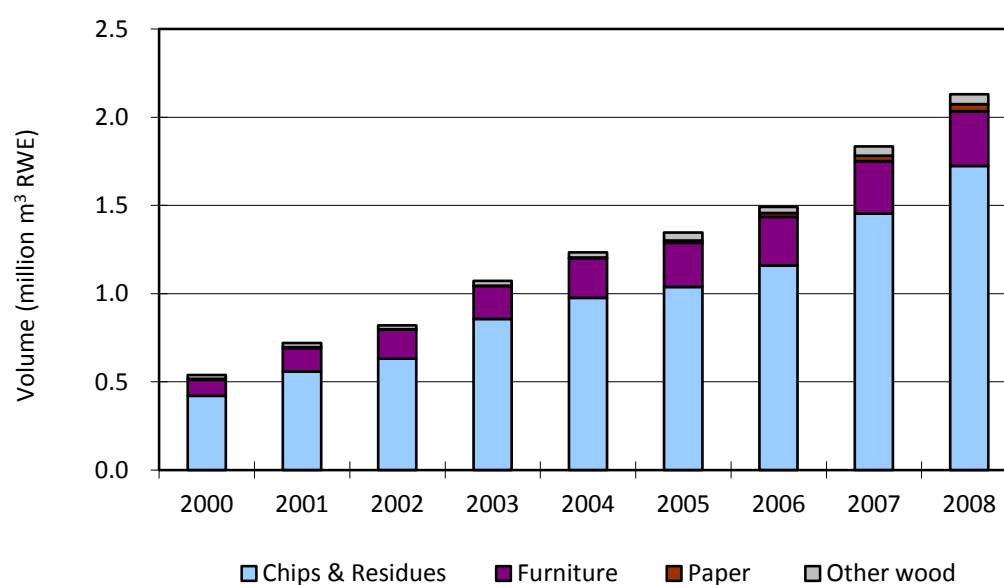
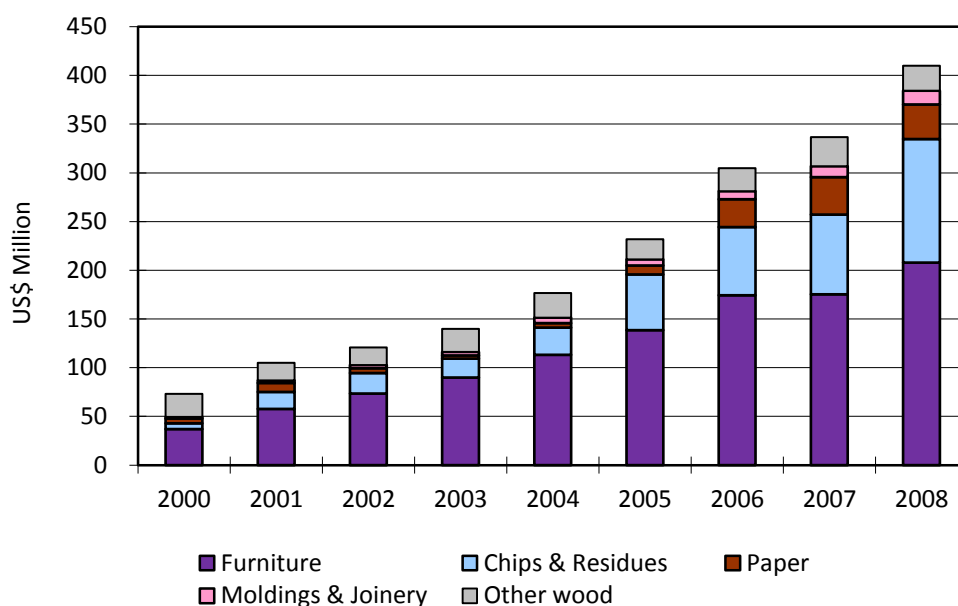


Figure 19. Vietnam Exports to Japan by Product (US\$ million)



Exports to Taiwan

In 2008 Taiwan imported more than 1 million m³ RWE from Vietnam, 23% increase as compared to 2007's level (Figure 20). Prior to 2006, paper was the main product exported to Taiwan, with about 0.4 million m³ RWE per year. Since 2006, this pattern has changed with a sharp increase in chips and residues exported to the country. Paper, however, still derived the largest value at US\$ 73 million (57 % share) Data of Taiwan export value from forest product exports shows slight increase over time (Figure 21).

Figure 20. Vietnam Exports to Taiwan by Product (thousands m³ RWE)

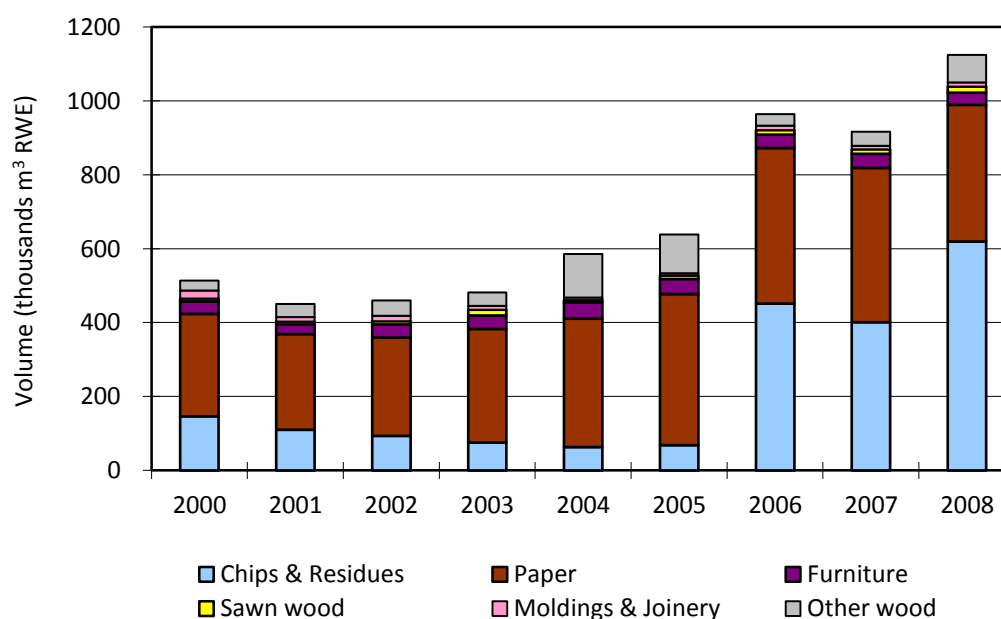
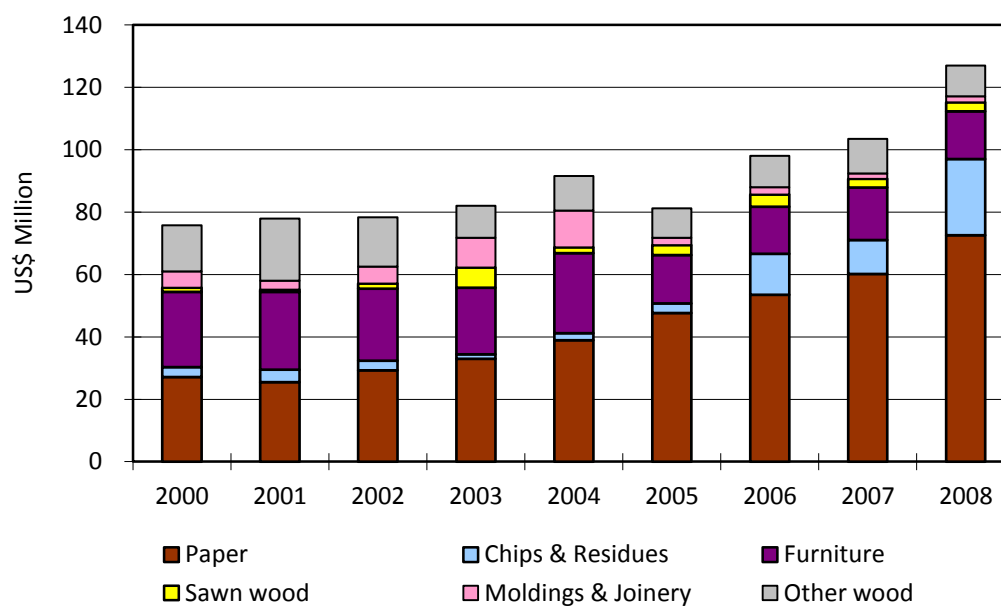


Figure 21. Vietnam Exports to Taiwan by Product (US\$ million)



Exports to South Korea

Vietnam forest product volume exported to Korea increased almost 5 times during the period of 2004-2008 (Figure 22). The export value increased accordingly, reaching over US\$ 100 million in 2008, a rapid increase from less than US\$ 32 million in 2004 (Figure 23). Although furniture export volume only accounts for less than 15% of the total volume, revenue derived from this product accounts for 57% of the export value (at US\$ 58 million).

Figure 22. Vietnam Exports to South Korea by Product (thousands m³ RWE)

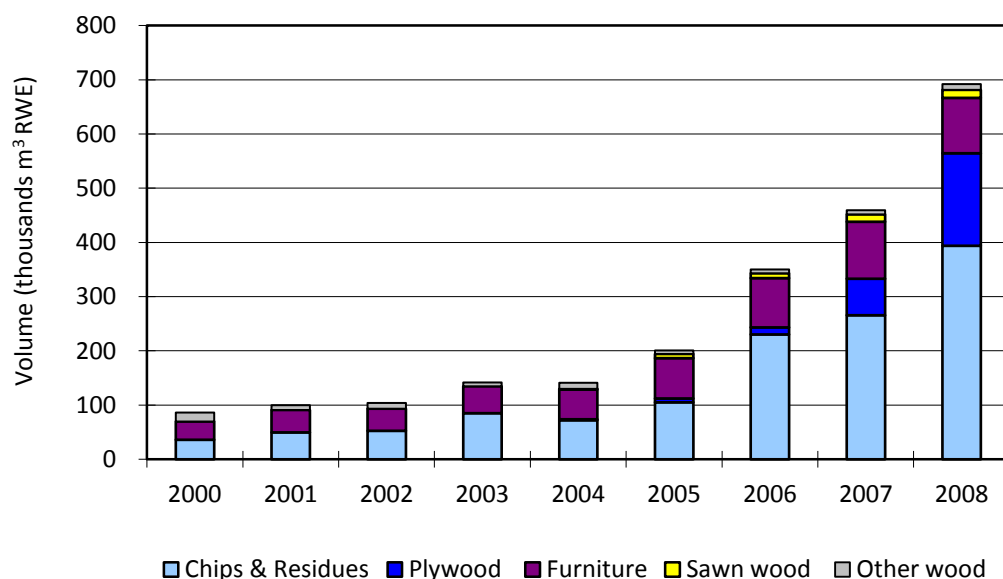
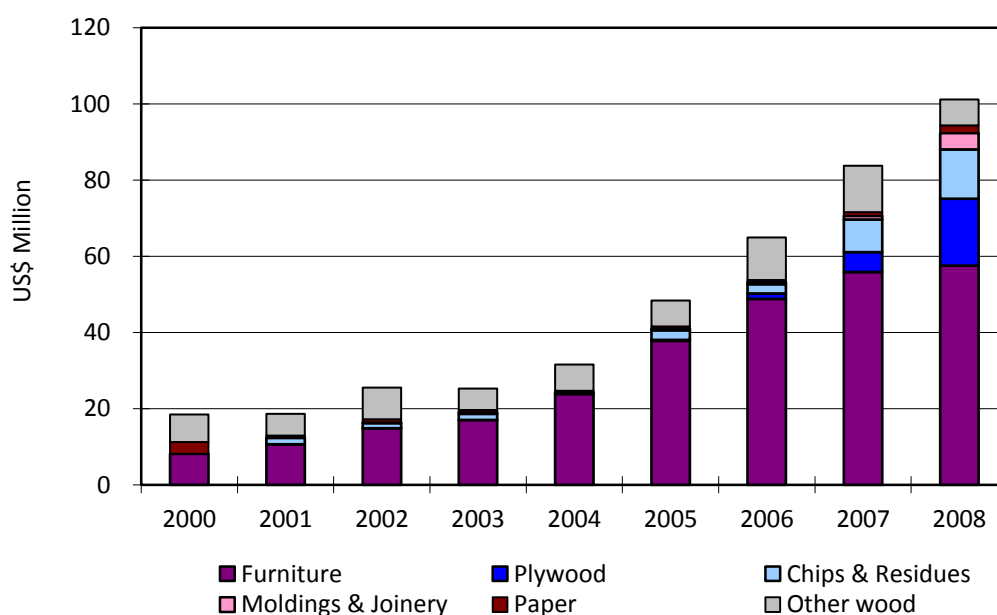


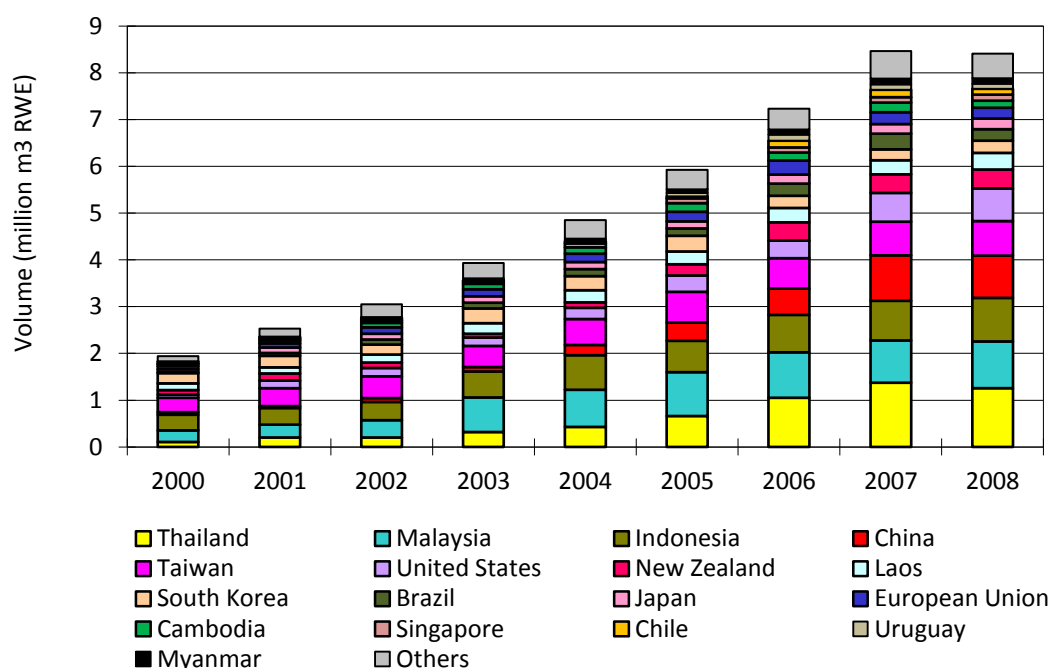
Figure 23. Vietnam Exports to South Korea by Product (US\$ million)



ANNEX 2. VIETNAM FOREST PRODUCT IMPORTS

Forest product imports to Vietnam have been increasing throughout 2000 and 2007. In 2008, Vietnam imports decreased slightly importing more than 8 million m³ of forest products from abroad, of which 4.2 million m³ are paper (equivalent to US\$ 860 million as import value), and the remaining 4.6 million m³ are timber products (\$US 1.1 billion).⁶ Figure 24 shows the import volume by country over time.

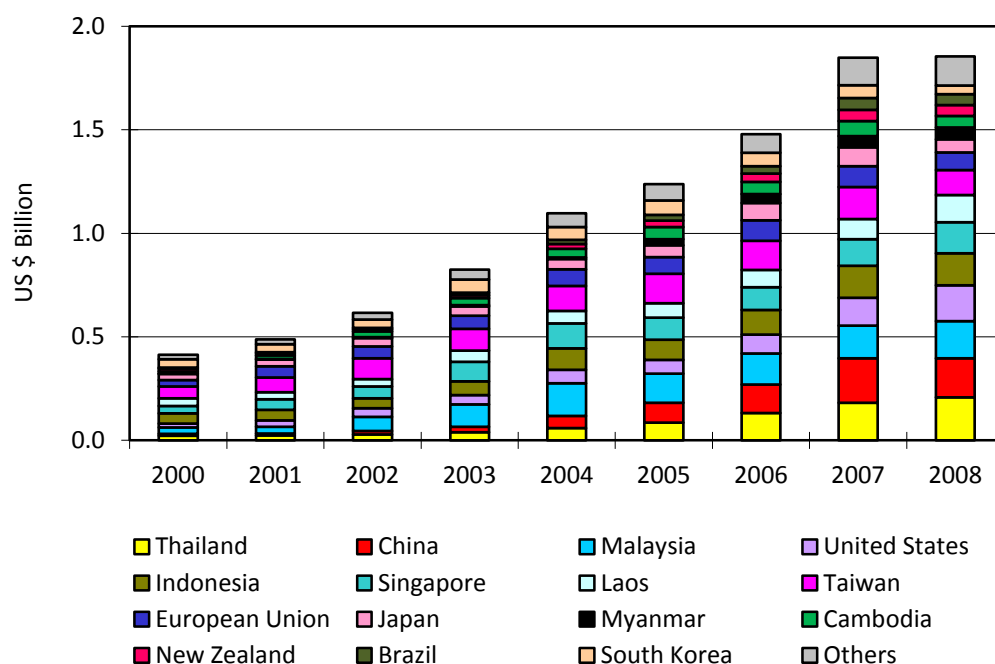
Figure 24. Vietnam Forest Product Imports by Country (million m³ RWE)



Vietnam import timber products from about 26 different countries (Nguyen Ton Quyen, 2010). Figure 24 shows the imported volumes of all forest products in 2000-2008. Around 8.2 RWE m³ were imported to the country in 2008, with a value of US\$ 2.21 billion (Figure 25). Thailand, Malaysia, Indonesia, China, and Taiwan are the five largest forest product exporters to Vietnam.

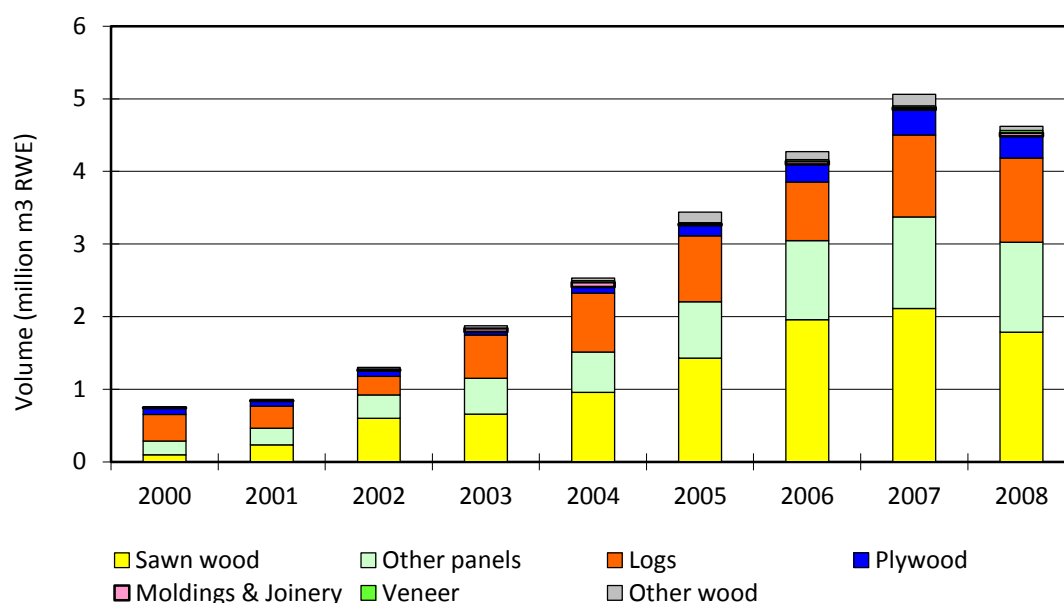
⁶ In this report, "paper products" to refer to paper, wood pulp, and wood chips. Timber products are sawn wood, logs, other panels, veneer, plywood, moldings and joinery, and other wood.

Figure 25. Vietnam Forest Product Imports by Country (\$US billion)



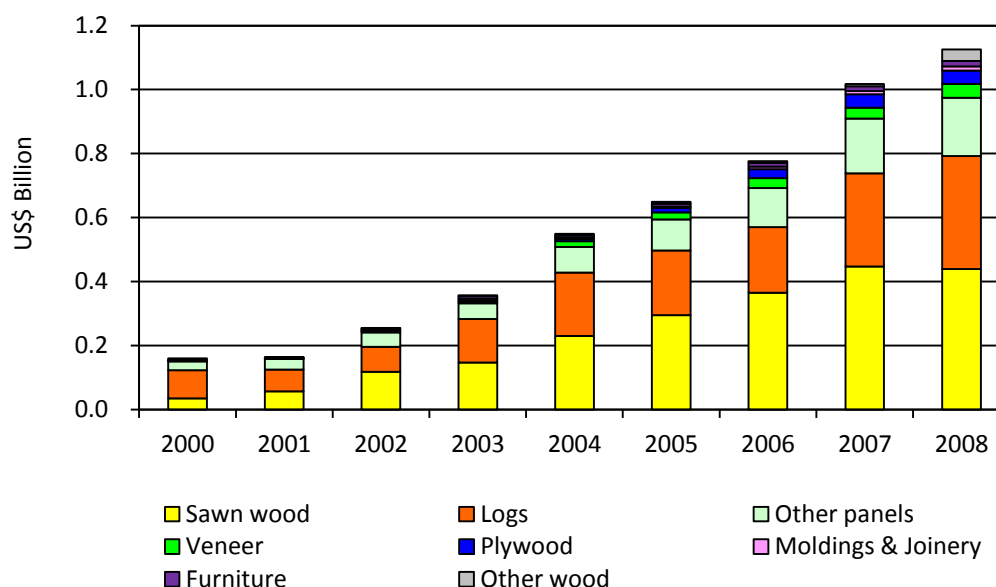
In 2008, Vietnam imported 4.6 million RWE m³ of timber products from abroad. This is more than double the imported volume in 2003 (Figure 26).

Figure 26. Vietnam Timber Imports by Product (million m³ RWE)



Of the timber products imported to Vietnam, sawn wood and logs account for 63% of the total volume and 72% of the total import value of 2008. The total value of timber product imported to the country in 2008 is US\$ 1.1 billion, twice as much as the level of 2004 (Figure 27).

Figure 27. Vietnam Timber Imports by Product (US\$ billion)



Imports from Laos

Forest products imported from Laos have been increasing (Figures 28-29), mainly in the form of sawn wood and round logs. In 2008, Vietnam imported about 350,000 m³ RWE from Laos⁷, equal to about US\$ 130 million. The volume as well as value of imported logs increased in 2007-2008, with the increase attributed to the export of conversion timber harvested from hydropower reservoirs in the southern Lao provinces.

In 2008, timber volume imported from Laos to Vietnam accounted for less than 8% Vietnam's total imported timber products (4.6 million m³ RWE), but 12% of the total timber imported value – implying higher-value species and products compared those imported from other countries.

⁷ Although EIA and others estimated up to 600,000 m³ RWE

Figure 28. Vietnam Imports from Laos by Product (thousands m³ RWE)

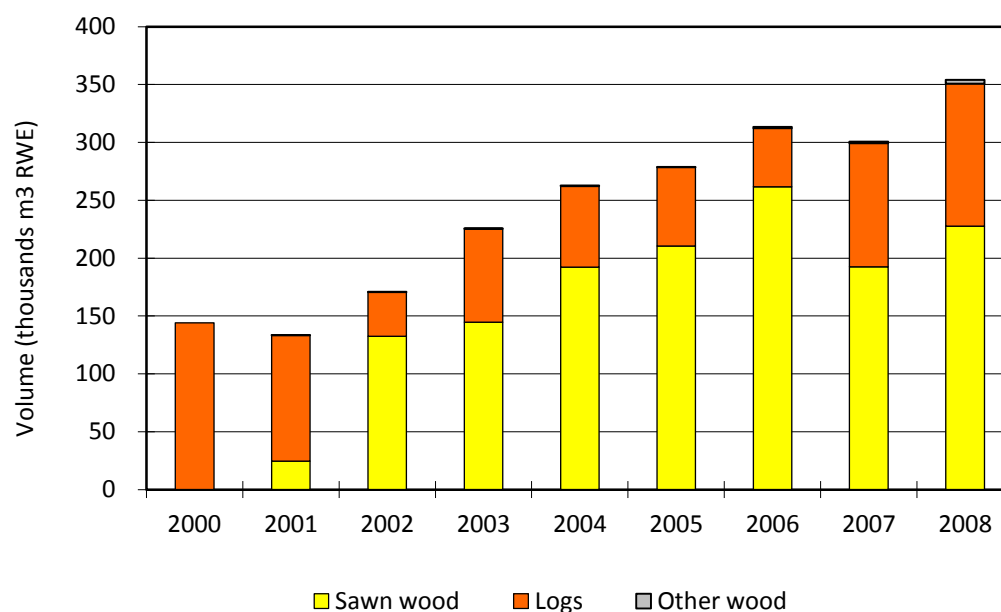
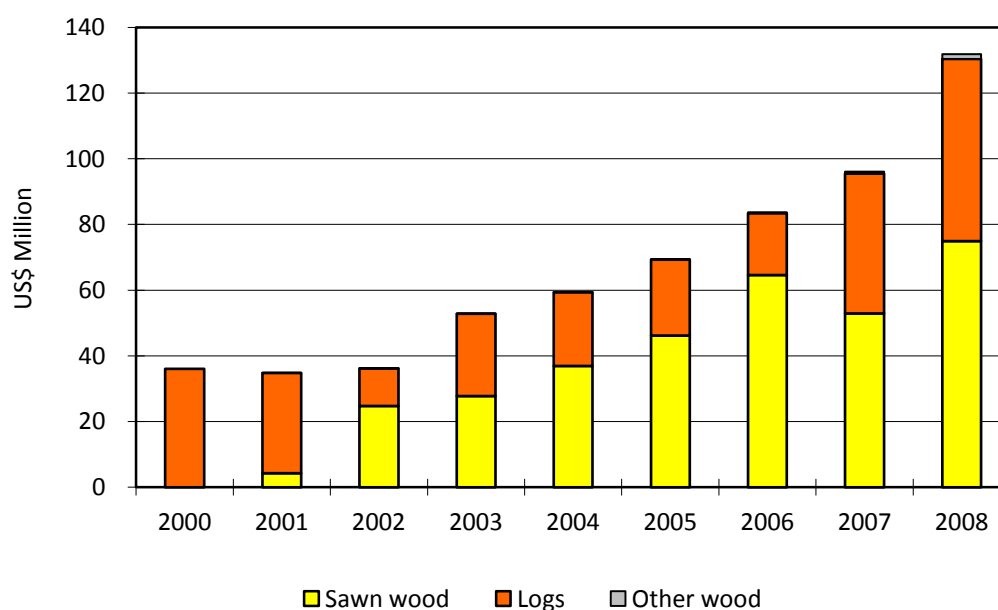


Figure 29. Vietnam Imports from Laos by Product (US\$ million)



Imports from Cambodia

Cambodian timber imported to Vietnam increased from 47, 000 m³ RWE in 2000 to 209,000 m³ in 2007, but dropped drastically to 150,000 m³ RWE in 2008 (Figure 30). The value of these imports ranged between US\$ 60-80 million per year (Figure 31). Since the end of the 1990s, the ban of round log export has been enforced by the Cambodia government. As a result, only sawn wood are imported to Vietnam after 2000.

Figure 30. Vietnam Imports from Cambodia by Product (thousands m³ RWE)

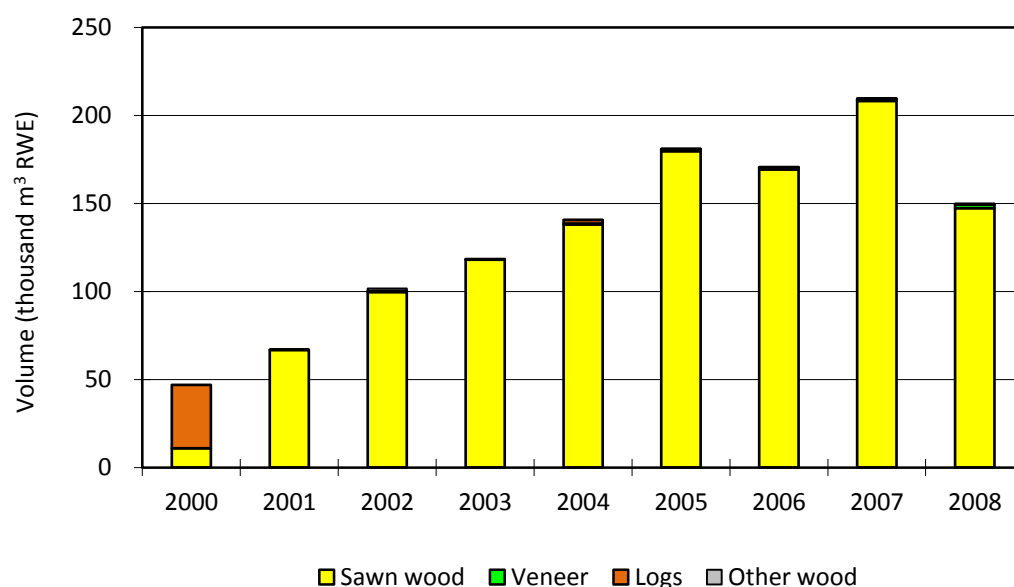
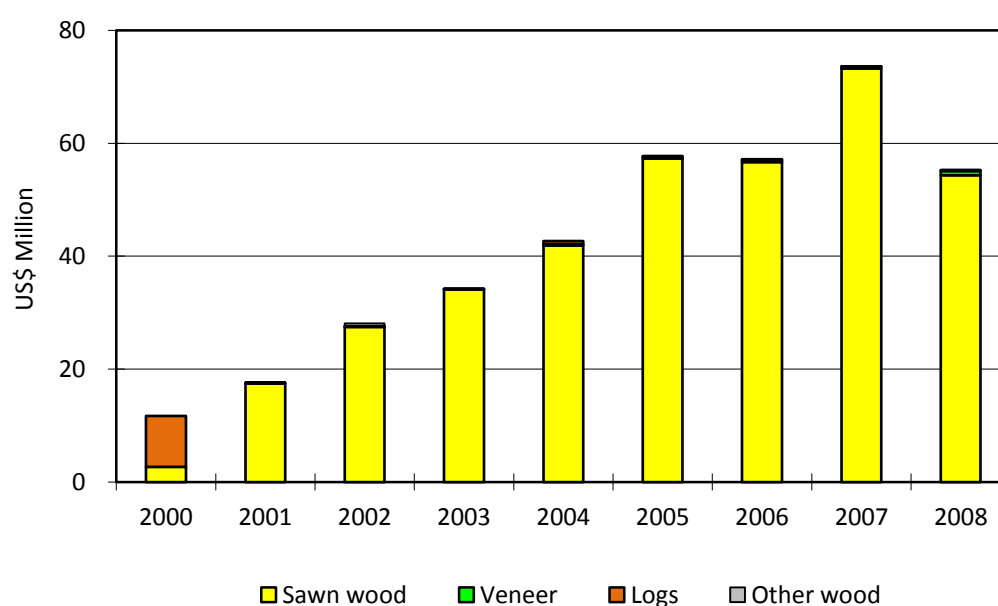


Figure 31. Vietnam Imports from Cambodia by Product (US\$ Million)

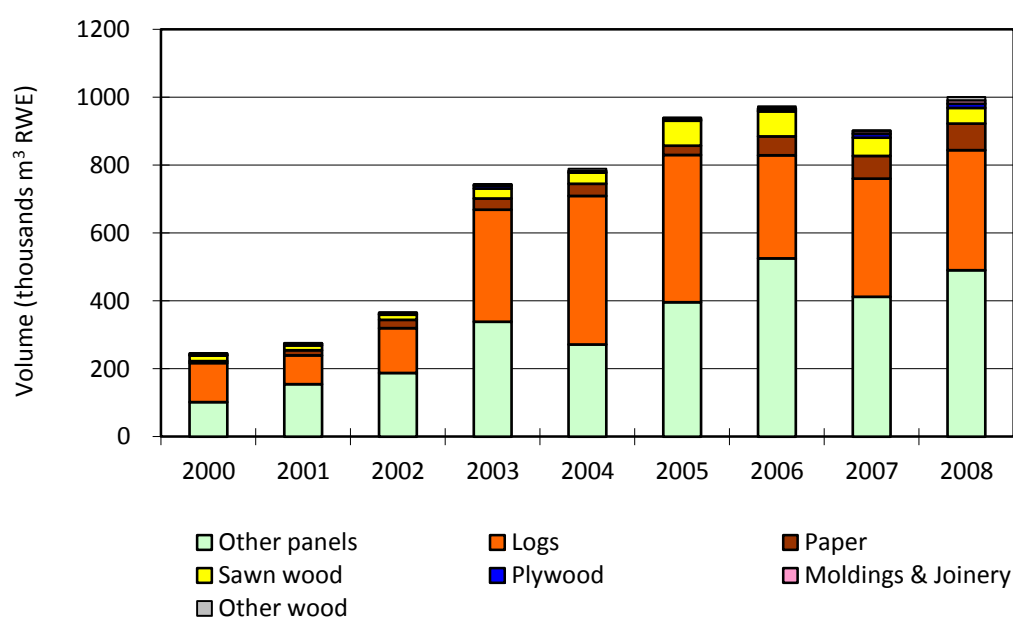


Imports from Malaysia

Malaysia is one of the four world's largest tropical log producing countries. Since 2004, however, the volume of log exported has been reducing, reflecting the country's effort in exporting more added-value wood products particularly sawn wood and panels. The country is also one of the five largest sawn wood producing countries, supplying 5.1 million m³ to the world in 2007 (ITTO, 2008).

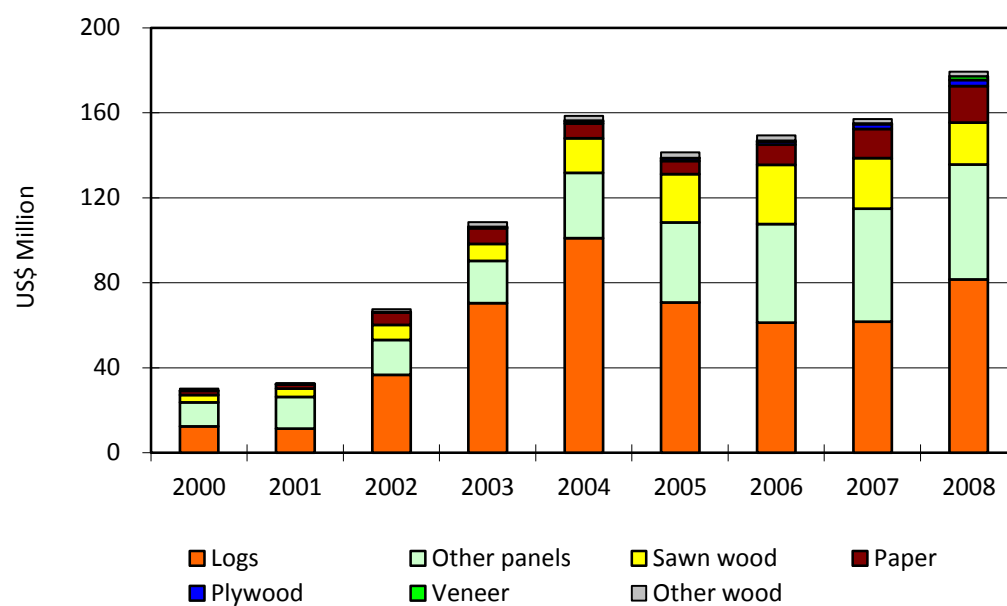
All together, almost 1 million m³ of timber is imported to Vietnam from Malaysia – although some have questioned whether this is Malaysian wood or wood re-exported from Thailand, Myanmar or Indonesia. In 2008, approximately 35% of the imports from Malaysia were logs, with the remaining consisting of wood panels, paper, sawn wood, plywood and moldings & joinery (Figure 32) – valued at US\$ 180 million.

Figure 32. Vietnam Imports from Malaysia by Product (thousands m³ RWE)



Compared to that of 2007, the total volume of forest products imported to Vietnam in 2008 increased to almost 80,000 m³, with a US\$ 20 million value. This reflects the increase in value of paper products imported to Vietnam (Figure 33).

Figure 33. Vietnam Imports from Malaysia by Product (US\$ million)



Imports from Myanmar

Myanmar is one of the four largest log exporters in the world. The country exported 1.8 million m³ of logs in 2007 (ITTO, 2008). In 2008, Myanmar exported about 114,000 m³ of forest products to Vietnam, or 6% of the country's annual log export.

Timber imported to Vietnam from Myanmar has sharply increased in terms of volume and value (Figures 34 and 35) and especially since 2003-2004. By 2007, approximately about 120,000 m³ of timber was imported from Myanmar, valued at US\$55 million. 97% to 99% of the imported timber was round logs in 2007 and 2008 respectively. Timber imported to Vietnam from Myanmar is exclusively from natural forest.

Figure 34. Vietnam Imports from Myanmar by Product (thousands m³ RWE)

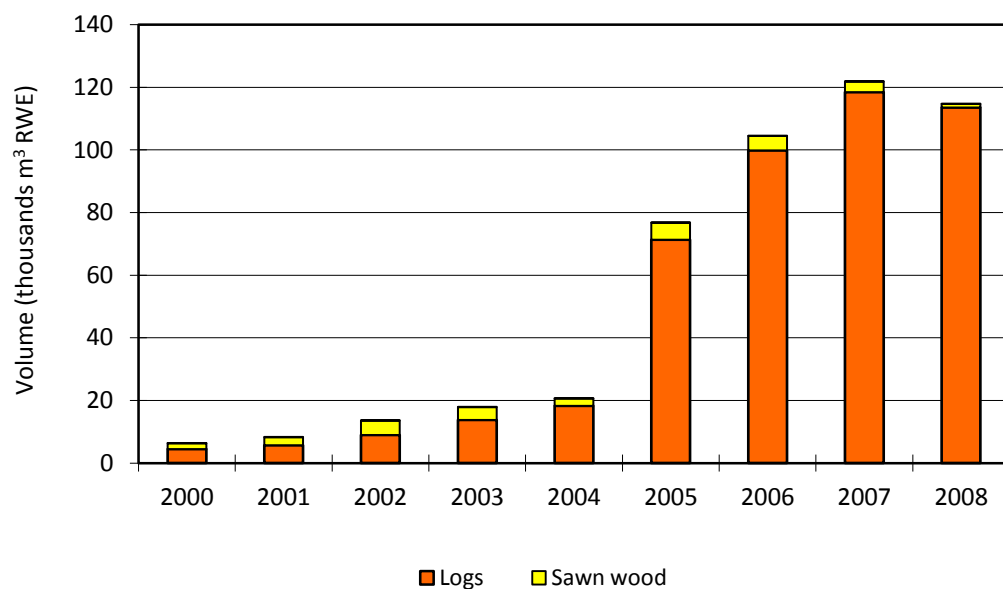
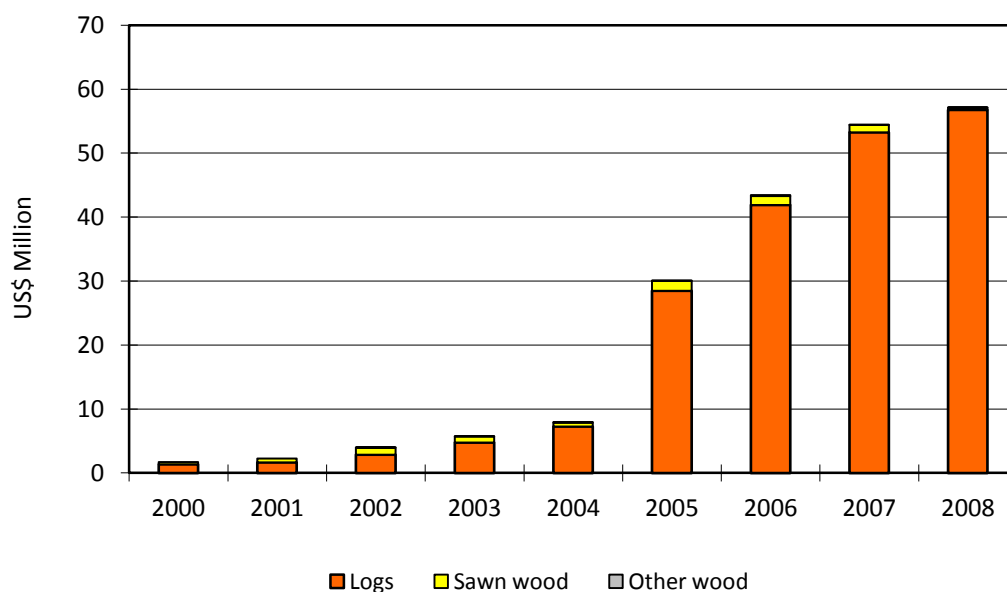


Figure 35. Vietnam Imports from Myanmar by Product (US\$ million)



Imports from Indonesia

Indonesia is one of the four largest tropical logs and sawn wood producing countries in the world. Data on log production and sawn wood show an increase in production volume over the years (ITTO, 2008).

Indonesia forest products imported to Vietnam have been increasing gradually (Figures 36-37). In 2008, Vietnam imported more than 900,000 m³ RWE from Indonesia, with paper (around 650,000 m³), wood pulp (170,000 m³), and panels (70,000 m³) making up the main products. No round logs are imported to Vietnam from Indonesia, though in practice, Indonesian logs may be re-exported to Vietnam via other countries (Proforest, 2009).

Figure 36. Vietnam Imports from Indonesia by Product (thousands m³ RWE)

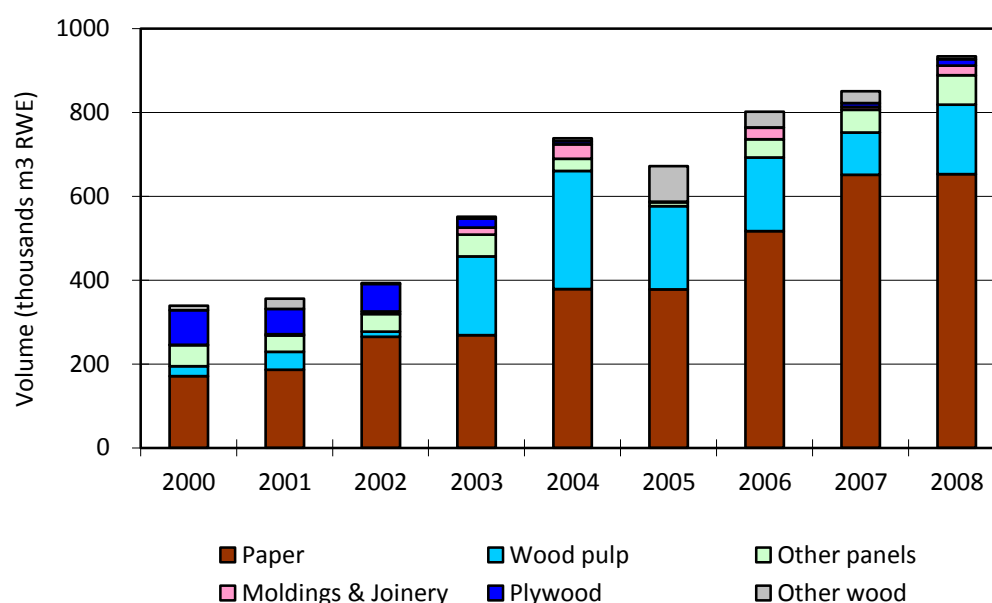
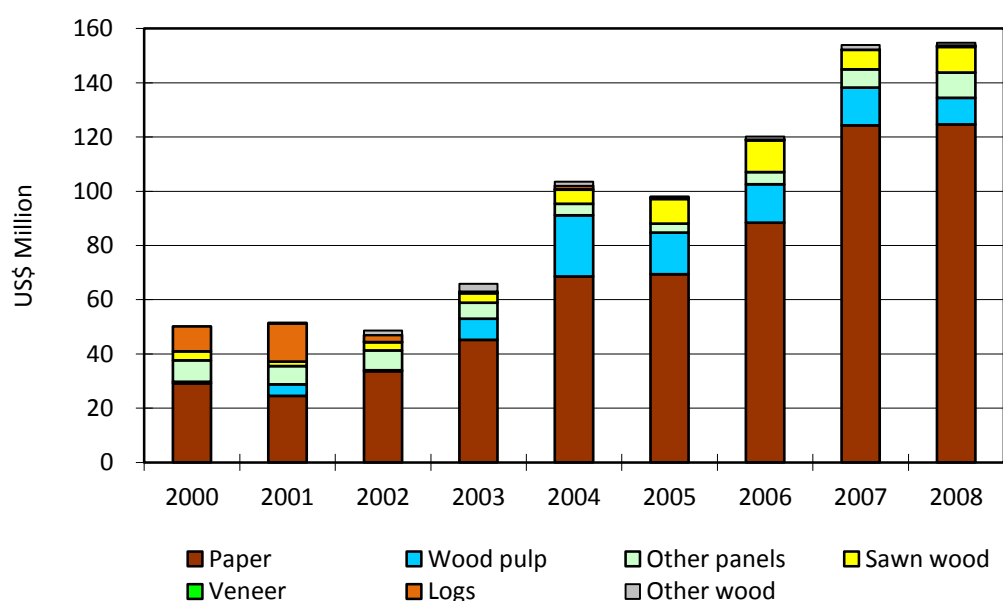


Figure 37. Vietnam Imports from Indonesia by Product (US\$ Million)



Imports from Papua New Guinea (PNG)

Vietnam imports logs from PNG, with an amount of 100,000 m³ annually during the 2004-2005 period, with imported volume declining slightly reduced in 2008 to about 85,000 m³ (figures 38-39).

Figure 38. Vietnam Imports from Papua New Guinea by Product (thousands m³ RWE)

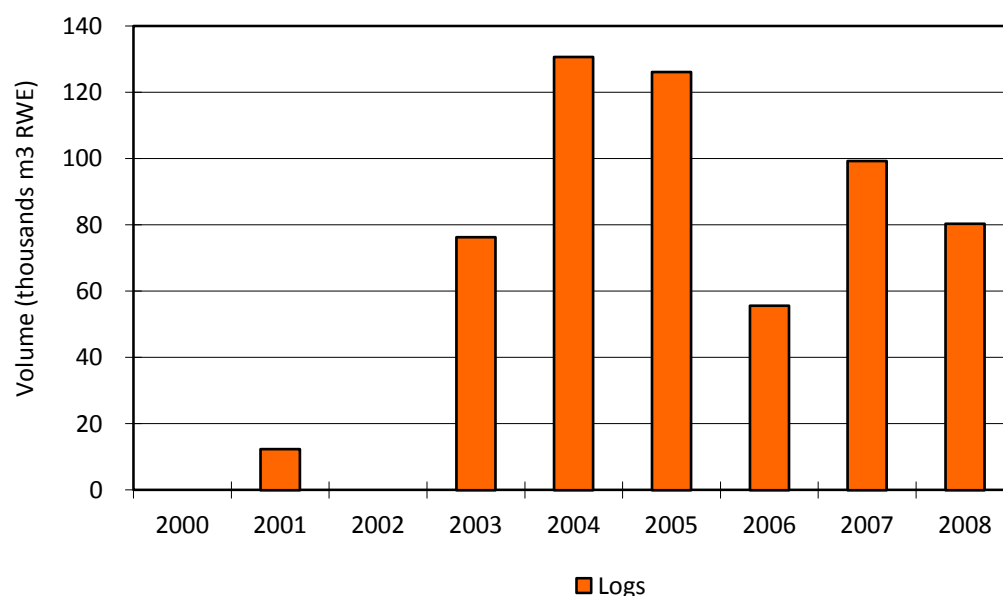
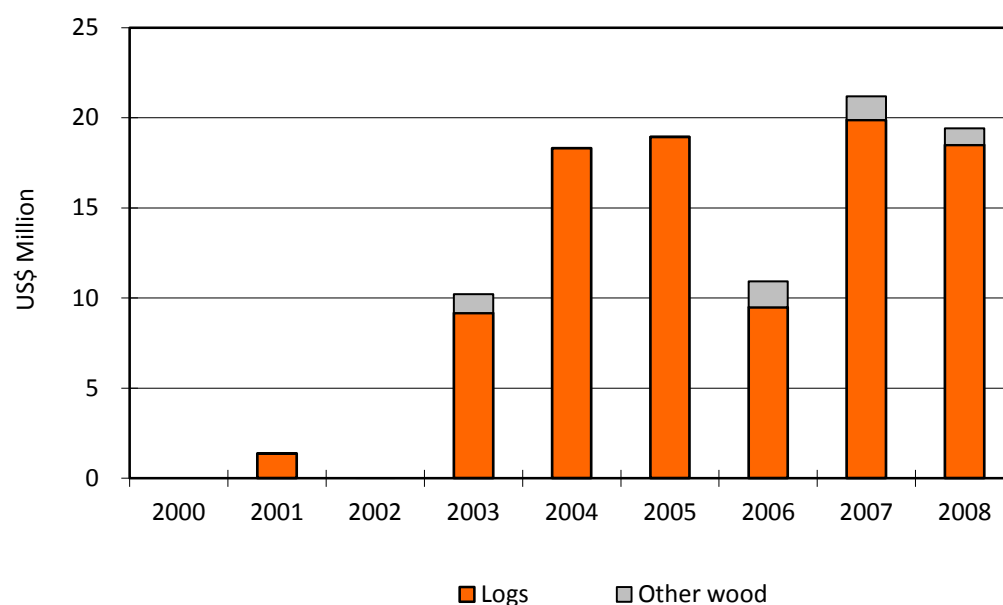


Figure 39. Vietnam Imports from Papua New Guinea by Product (US\$ million)



Imports from China

Imports from China compose mainly processed products such as paper, plywood, other panels, and sawn wood, along with small amounts of wood pulp, veneer, furniture, and moldings and joinery – totally approximately 900,000 m³ RWE in 2008 (Figure 40), valued at US\$ 188 million as annual import value (Figure 41).

Figure 40. Vietnam Imports from China by Product (thousands m³ RWE)

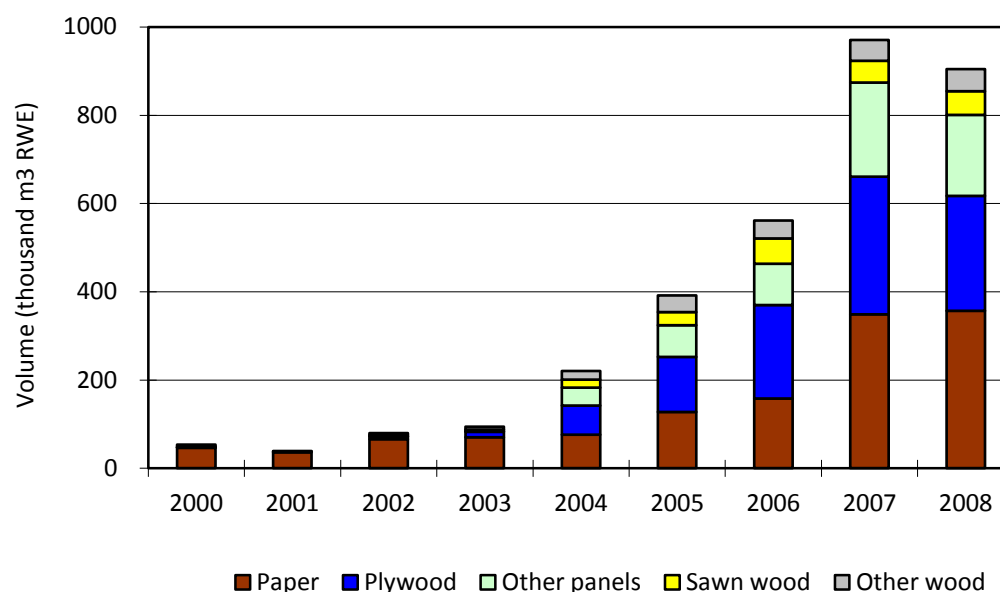
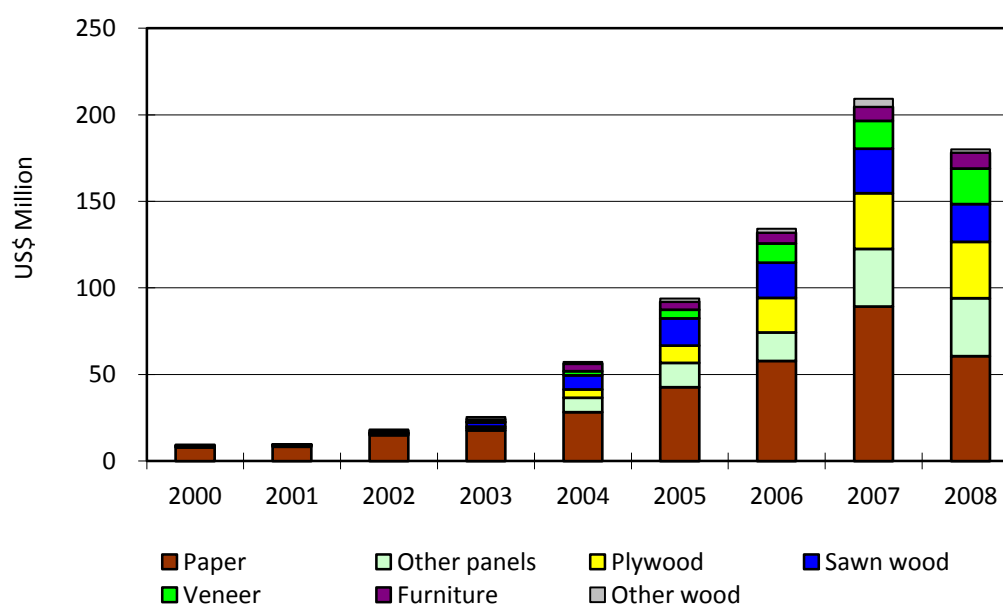


Figure 41. Vietnam Imports from China by Product (US\$ million)



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