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IMPLICATIONS FOR SUSTAINABILITY AND LIVELIHOODS

TIMBER MARKETS AND TRADE BETWEEN LAOS AND VIETNAM:

A COMMODITY CHAIN ANALYSIS OF VIETNAMESE DRIVEN TIMBER FLOWS

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TIMBER MARKETS AND TRADE BETWEEN LAOS AND VIETNAM:

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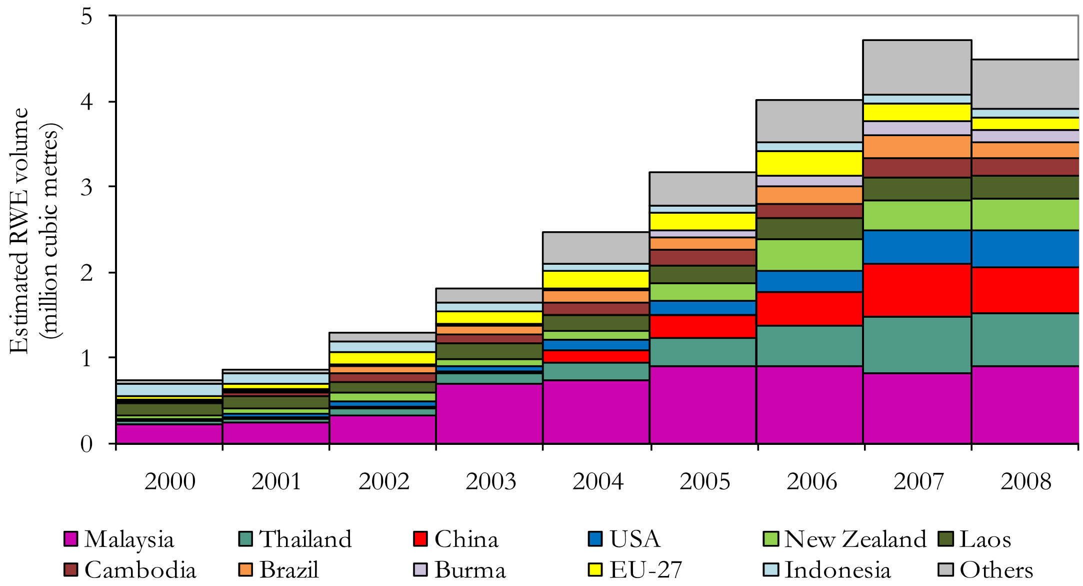
I. SUMMARY AND FINDINGS

Vietnam and Laos share a border of more than 2,000 km (Figure 1) and have long had a close relationship. Between 2001 and 2005, the total import-export turnover between the two countries reached US$687.8 million (Vietnam Ministry of Foreign Affairs, 2008). By the end of 2008, total Vietnamese investment in Laos was more than US$800 million, with 157 projects specializing in hydropower plants, mining and wood processing (Vietnam News, 2009). In the first half of the 2008-2009 fiscal year, Vietnam became the top investor in Lao with 32 new projects totaling approximately US$1 billion, surpassing even China and Thailand (Lao New Agency, 2009). The focus of Vietnamese investments has been hydro-power projects (accounting for 55% of all amount invested), cash crop plantation (29%), as well as food processing and mining (The Gioi Vietnam, 2008); most of the projects are located in central and southern Laos. The Laos government continues to seek ways to raise investors' interest in the industrial plantation sector.

The Vietnamese export-based wood furniture-manufacturing industry has expanded rapidly in recent years, becoming one of the largest furniture exporters in the world. In 2008, total earnings from furniture exports to 120 countries around the world (including Europe, North America, and the Asia Pacific region) accounted for approximately US$2.8 billion, making it the fifth largest contributor to the country's income from exports (Le Khac Coi, 2008). Currently, there are more than 2,000 wood-processing and 450 wood export companies in Vietnam, employing more than 250,000 people. 80%, or about 4.5 million cubic meters (m^3) of the raw materials needed for this export-oriented industry were imported from other countries around the world (Agroinfo, 2009; Figure 2). With approximately 11 million hectares of forest, Laos serves as an important supplier of timber for Vietnam's wood industry.

Figure 1: Map of the Study Area

Figure 2: Vietnam's Imports of Timber Products, 2000-2008, by Volume



Source: US ITC Trade data, Eurostat, Trade Statistics of Japan, Korea Customs Service, Taiwan Directorate General of Customs, Chinese customs data and UN Comtrade, as compiled by James Hewitt

While official statistics estimate that Laos exports approximately 250,000 m^3 per year to Vietnam, the Environmental Investigation Agency (EIA) and Telapak (2008) estimated that number at about 600,000 m^3 of wood per year. If this estimate is accurate,[1] Lao timber would account for 16-25% of Vietnam's wood imports. When these statistics are broken down according to market segment, these percentages rise for those Vietnamese industries producing high quality, expensive indoor furniture – destined predominantly for Chinese markets and elsewhere in Asia. With little in the way of mature, fast-growing plantations, Laos is less important for Vietnam's outdoor wooden furniture industry, which largely uses plantation timbers, sourced regionally from countries such as Malaysia and further afield from New Zealand, Sweden, and South Africa, some of which is FSC certified.

Vietnam's demand for Laos' natural forest wood products has a strong influence on how Lao forests are managed, and how forest revenues are controlled and distributed. This has significant implications for over 80% of Laos' population who are poor and who rely on forest resources for their livelihoods (Food and Agriculture Organization and The Nature Conservancy, 2008).

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[1] The release of this report triggered hot debates in the forestry sector in Vietnam. Vietnamese policy makers criticized the report, accusing the authors of using incorrect data. Some Vietnamese scientists joined forces with the policy makers, questioning the accuracy of method used to collect data. Examples of these accusations can be found on the website of the Vietnam Trade Office in the US in the article "Vietnam: wooden industry sourcing illegal wood" (http://www.vietnam-ustrade.org/index.php?f=news&do=detail&id=92&lang=english; 3 July 2008). Another article was published online by Vietnamese Net Bridge: "Vietnam denies using illegal timber" (http://english.vietnamnet.vn/social/2008/04/778688/; 16 April 2008)

Within Laos itself, new regulations and policies related to timber logging and exports aim to conserve existing natural forests and shift the country towards participatory, sustainable forest management, and are seen as welcome developments – if they can be implemented effectively. Despite the Government of Laos' official commitment to the sustainable management of the nation's forest ecosystems and the forest communities that are dependent upon them, many concerns remain regarding the country's forest management and governance situation (Hodgdon 2006, 2008). Of particular interest is how the burgeoning timber trade with neighboring countries such as Vietnam impacts the forest sector in Laos. These worries have focused on unsustainable harvesting levels, illegal and over-quota logging, insufficient local participation in decision-making and forest management, inadequate benefit-sharing with local communities, and corruption involving government officials.

Various organizations have attempted to quantify the levels of legal versus illegal wood products exported from Laos, but the structure of the timber commodity chain between Laos and Vietnam is highly complex. Due to loopholes in the legal forestry framework (Food and Agriculture and The Nature Conservancy, 2008; Bestari et al., 2006) it is not always clear whether logging is legal or illegal in Laos (ibid.; Global Development Solutions, 2005). It is clear, however, that despite documented inconsistencies and problems with forest governance in Laos, the timber trade between Laos and Vietnam is generally perceived to be legal, or at least legitimate, by both governments. In reality, given the extent of the forest governance problem, it appears as though unsustainable and illegal extraction of timber from Laos, and its export to Vietnam, continues to receive a high degree of implicit support by both governments.

This study examines the timber trade between Laos and Vietnam with a geographical focus on the Central Highlands of Vietnam and southern Laos. The study explores the political power dynamics involved in the logging and trade between the two countries. The study has adopted a commodity-chain and resource-access framework[2] to identify the actors participating at each node of the chain, as timber passes from Laos' natural forests to wood processing/furniture producing companies in Vietnam. Of particular interest are the patterns of and mechanisms for benefit distribution amongst involved actors and the mechanisms adopted by them for benefit derivation. Fieldwork was conducted at the end of 2008, primarily in the Central Highlands of Vietnam, and in Attapeu province of southern Laos. The study focuses on a distinct segment of the timber commodity chain during a specific time period (November through December 2008) and in a specific location (Central Highlands of Vietnam and in Attapeu province of southern Laos (Figure 1). The study does not follow the product all the way to the consumer markets. Though not able to present an overall picture of timber markets between the two countries, the study is able to reveal some dynamics of this market, which highlight a number of important policy implications. In both Vietnam and in Attapeu, interviews with Vietnamese companies were primarily conducted in Vietnamese.

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[2] As outlined by Ribot and Peluso (2003)

Major findings include:

1. Within Laos itself, Vietnamese firms and a Vietnamese labor force play an important role in the logging, timber processing and wood export sectors. The industry hires few Lao employees. Most companies in Attapeu province are joint-ventures between Vietnamese and Lao investors. In reality, however, many of these joint ventures exist only on paper. All of the companies interviewed were primarily run by Vietnamese managers, using Vietnamese labor sometimes without a labor contract or necessary legal documents, with Lao partners mainly responsible for handling administrative and regulatory procedures.

Logs are shipped to Vietnamese processing factories located in Attapeu, or directly to Vietnam. There are about 10-15 Vietnamese-owned wood processing factories in Attapeu, with processing capacities ranging from less than 1,500 to 10,000 m^3 per year, with a range of simple to sophisticated machinery. Vietnamese investments of US$1 to US$5 million are common, sometimes as high as US$20 million. Most companies use predominately Vietnamese labor. Vietnamese laborers are believed to be cheaper and more efficient than Lao workers and are easier for Vietnamese managers to interact with due to the language barrier.

2. Lao timber is often bartered in exchange for official Vietnamese development support or for official debt-repayment purposes. Special permits, such as the "debt repayment" and "development permits," are often used in Vietnam-Laos timber trade. Debt-repayment logging quotas were designed to facilitate debt repayment to foreign countries, especially former or present socialist allies. Lao officials are often hesitant to negotiate when it comes to these agreements as they do not want to be seen as being unappreciative of the Vietnamese contribution to the revolution (Baird, forthcoming). Through the "development logging quotas," logs are traded for development support, such as the building of infrastructure, and are the result of an economic agreement between provincial governments and Vietnamese companies. It is important to note that these types of special logging permits often allow for exemptions from value-added processing requirements prior to export.

3. Unclear definition of legality and complex permitting requirements. The structure of the timber commodity chain between Laos and Vietnam is highly complex. Due to loopholes in the legal forestry framework, it is not always clear whether logging is legal or illegal in Laos. While the FAO and The Nature Conservancy 2008 Country Outlook Report on Laos makes a strong statement about the legality of Laos exports,[3] discretionary and special quota systems, as well as logging

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[3] The FAO and TNC 2008 Country Outlook report on Laos makes a strong statement on the legality of Laos exports: "…in accordance with the Forestry Law, PM Decree 59, MAF Reg. 0204 and PM Order 30 on the Enhancement of Forest and Timber Business Management (2007-2008) , it is clear that: (1) logging is only allowed in Production Forest Areas (PFAs) that have an approved management plan; (2) forest management must involve local communities in planning and operations, and must give them 17.5% of stumpage (after royalties) for village development; (3) export of roundwood, sawn-wood and "semi-finished products" is prohibited, as is the harvesting of a select list of species . Within these parameters, it can basically be argued that virtually all the timber removed and exported from Lao forests is illegal because: (1) of the 106 PFAs in the

associated with infrastructure, complicate attempts to define legality. Virtually all legislative documents of the Lao government contain clauses such as: "unless approved by the government" or "unless determined in special cases to be in the interest of the national community". This leaves significant room for selective interpretations in the application of the legal framework on forests (FAO and The Nature Conservancy, 2008; Bestari et al., 2006).

Compounding this problem is the fact that the permission process in Laos is extensive, with numerous permits required for obtaining logging quotas, and during the harvesting, sorting and transport operations. Each of these provides a potential opportunity for bribes to be given to "facilitate" the process. This study found that, on average, payments made to officials at various levels amounted to about US$13/$m^3$ of timber exported to Vietnam. For species like *Anisoptera cochinchinensis*[4] (*Vên Vên* in Vietnamese, or *May Bac* in Laos), this is equivalent to 16.5% of the wood price. If Laos exports about 600,000 m^3 to Vietnam, as estimated in an EIA/Telapak report (2008), the minimum payments to Lao state officials would approximate US$7.8 million per year. These are local fees and do not include the cost of securing the initial logging quotas.

Illegal logging and most opportunities for personal benefit of government officials are reported to occur during the logging quota allocation process, and during the harvesting and sorting stages (Baird, forthcoming). Once logs are transported to sawmills or other processing factories in Attapeu or in Vietnam, any illegally harvested wood has already been laundered and inventoried, thus becoming officially 'legally harvested wood' (ibid).

Though Lao forestry legislation Article 22.4 of the Lao Prime Minister's Order No. 30 (17/08/2007; on the Enhancement of Forest and Timber Business Management) appears to uphold the ban on the export of roundwood and sawn-wood, and "semi-finished products" sourced from natural forests, under economic agreement arrangements most companies strive to obtain special logging permits which allow for an exemption from this ban. Therefore, in most cases, companies benefit from one form of loophole or another, and exported logs come to be viewed as legal by both the Vietnamese and Lao governments.

4. The revenues generated from the Laos-Vietnam timber commodity chain are large, and there is a highly inequitable distribution of benefits amongst different actors and social groups involved in the chain. Lao officials at the national and provincial levels, particularly the

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country, only 6 have approved management plans in line with new national legislation; (2) villagers are meaningfully involved in forestry and given their legally-guaranteed share of benefits in the sites where the SUFORD [the World Bank Sustainable Forestry and Rural Development] project is working (even in SUFORD sites, actually, compliance is questionable), and; (3) nearly all the exports of Lao timber are in the form of roundwood or sawn-wood. (In fact, most companies in Vietnam will only take roundwood because of the low quality of milling in Lao PDR)."

[4] Wood species are divided into eight different groups, depending on color, smell, weight, and durability. Group I includes the precious species with beautiful color, good smell, and most durable. Group VIII comprises species that are lighter in weight, not as durable, and susceptible to termites and moths. *Vên vên* belongs to group IV.

ones with decision making power over the logging quota allocation process, reap the largest benefit.[5] Vietnamese factories must apply for annual logging quotas – and usually pay officials to "facilitate" logging quotas for them. This "invisible cost" varies according to size of logging quota and one's connections, but usually ranges between US$10,000 andUS$600,000 as revealed by this study. Officials at the local level do not have any influence on quota allocation, but oversee the companies at the wood processing and export phases. Additional payments are often needed for the officials who conduct inventories and monitor logging, processing and export operations. The misclassification of timber species or underreporting of volume is common.

By contrast, loggers working at the logging site and workers in wood processing factories derive the least benefits from the chain. One logger can earn about 150,000-250,000 Vietnam Dong (VND) or US$8-14 a day, but due to the physical demands of the work, is usually unable to work the whole month. The foreman of the company can earn as much as 5-6 million VND (US$220-330) per month. Local villagers are for the most part not employed by the Vietnamese companies and benefit little from the logging and processing operations (but were not the focus of this report).

5. Role of large-scale economic land concessions in Laos-Vietnam trade. Large-scale agro-business projects for cash crops or plantations (often 10,000-50,000 hectares), mining, hydropower and road infrastructure development projects, play a large role in the availability of wood from Laos' natural forests. Timber must be harvested from the land prior to such development projects[6] . Companies, many of them Vietnamese, can obtain huge benefits from harvesting the timber from land allocated for development and then selling the land and concession lease rights to a third party. The development project may or may not ever be implemented. In these cases, the land concession has become a legal means to justify logging outside of the normal logging quota system and outside of national Production Forest zones. In particular, the social impacts of these programs have also generated considerable concern and attention in recent years.[7]

6. Autonomy of provincial actors. In both Vietnam and Laos, provincial governors are given relative autonomy to pursue their own diplomatic and trading links. In Laos, the mechanisms by which logging quotas have been allocated has been a source of tension between central and provincial governments and the military for decades, with relative powers shifting back and forth. By the late 1990s, responsibility for the allocation of logging quotas was shifted back to the provinces, with direction from the central Ministry for Agriculture and Forestry. Recently, southern provinces such as Xekong and Attapeu, with increasingly close economic relations to Vietnam, have extensively

[5] For a full report on local system of official benefits from the Laos wood products industry, see: Baird, Ian G. (forthcoming) *Benefitting from Logging and the Timber Trade: Perspectives from Southern Laos.*

[6] According to the Forestry Law, agri-business concessions are not to be located in areas of high natural forest, but in degraded forest areas (although what constitutes degraded forest is also subject to discretion).

[7] If these programs were to be financed by financial institutions that have voluntarily adopted the Equator Principles, there may also be issues related to criteria that plantations should not be developed on land with high conservation value forests cleared expressly for that purpose. See: http://www.equator–principles.com

granted logging concessions to Vietnamese companies[8] (Cornford, 2006). Laos land concessions have been granted by provincial authorities and other levels of government under questionable circumstances that may be circumventing legal processes (NLMA-GTZ, 2009; NLMA-FER, 2009).

7. Economic importance of logging to the Lao and Vietnamese governmental authorities. A significant proportion (approximately 11% according to Global Development Solutions 2005) of the total tax revenue in Laos comes from timber royalties. Questionable logging practices in Laos continue, backed by both governments and often integrated within large development mega-projects like hydro-energy development or agricultural plantation projects. The Government of Vietnam plays a significant role in promoting this trade - in fact, the Government of Vietnam has lifted export taxes, and provided long-term loans with favorable conditions and institutional support to large-scale furniture export companies operating in this area – and could play an important leadership role in terms of supporting the trade of responsibly sourced wood products. For example, the certification of origin for wood procured in Laos from the Vietnam Chamber of Commerce and Industry (VCCI) allows for the export of furniture to Hong Kong and Taiwan and other markets that do not accept wood certified by the Lao government, but does not help furniture export companies to access environmentally sensitive markets such as the EU or the US (although companies could get indirect access to these particular markets via Taiwan and Hong Kong) and could be re-designed to incorporate aspects of verification of legal sourcing.

8. Impacts of the financial crisis. Prior to the recent financial crisis, a number of Vietnamese companies were able to make substantial profits from the trading of timber from Laos. However, in 2008, due to the economic crisis, the nature and structure of the industry has been transformed. Small-scale companies producing furniture mainly for domestic markets have been most affected. In 2008, risk-averse Vietnamese banks refused to lend money to small-scale timber processing firms, or to companies who, they suspected, may not be able to repay loans. Companies were not able to procure wood, and, as domestic-oriented firms, were not eligible for value added tax (VAT) exemption, their production costs increased and their ability to compete was reduced. Many of these small-scale, domestic oriented Vietnamese wood processing companies went out of business or reduced their production. By contrast, middle and large-scale companies focusing on export markets had less difficulty in accessing loans and were eligible for VAT exemption, but ultimately they were also hit by an estimated 30-40% decline in internal demand for wood product exports, compared with 2007 levels (Vinanet, 2008).

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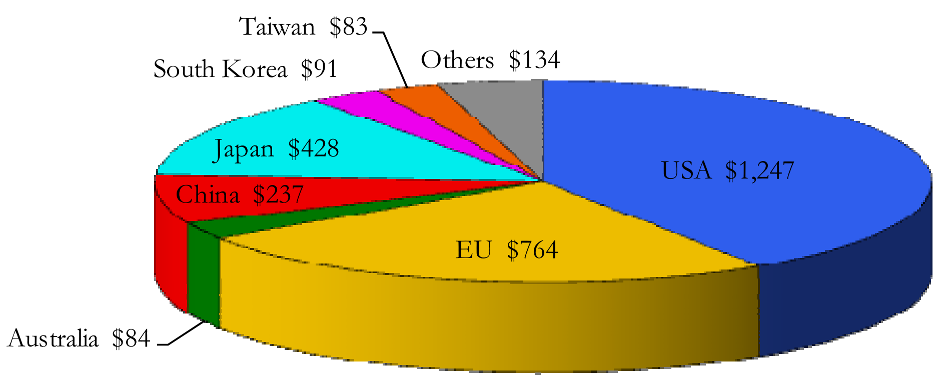
[8] According to Article 75 in the 2007 Lao Forestry Law, concessions up to 150 ha on degraded forest land may be approved by provincial administrations; land concessions between 150 - 15,000 ha may be approved by the National Land Management Authority and the Ministry of Agriculture and Forestry; land concessions of 15,000+ ha requires approval from the National Assembly. However, numerous reports document that despite a 2007 Prime Minister's ban on land concessions, over 100 ha, concessions have been allocated under questionable circumstances circumventing the legal authorities (see NLMA-GTZ, 2009; NLMA-FER, 2009).

9. Shifts due to increasing EU and US requirements for "due diligence" in sourcing of legal materials. Public procurement policies and purchasing preferences in the European and North American markets, as well as new demand side legislation such as the revised US Lacey Act and emerging EC due diligence legislation, have caused difficulties for Vietnamese furniture exporters. Historically, the US and EU have been dominant markets for Vietnam (Figure 3). However, there are preliminary signs of a gradual shifting away from EU and US markets to less environmentally sensitive markets, particularly Eastern Europe, including Russia, and the Middle East, while at the same time maintaining traditional markets in Asia. It is widely known that certain Laos natural forest species (e.g. rosewood) and wood products retain special attraction to Asian markets.

Figure 3: Vietnam's Export of Forest Products, 2007, by Value (US$ millions)



Source: US ITC Trade data, Eurostat, Trade Statistics of Japan, Korea Customs Service, Taiwan Directorate General of Customs, Chinese customs data and UN Comtrade, as compiled by James Hewitt

At the same time, however, large-scale "elite" Vietnamese exporters to EU and North American markets are changing strategies. Vietnamese companies that want to continue to export to EU and North American markets report that they no longer acquire wood from Laos due to reputational risks. These companies have been trying to obtain Chain of Custody (CoC) certification. Currently, about 170 processing companies out of 2500 companies (less than 7%) have obtained a recognized CoC certification – but it remains to be seen whether the lack of legally verified or certified forests will create a bottleneck at the first production stage for Vietnam-based firms.

Recommendations

In order to improve the existing situation, governments of both countries will need to work with donors and international non-governmental organizations (NGOs) in order to identify actions to mitigate the problems in the timber trade between the two countries. These could include, *inter alia:*

- *Clarity on definition of "legality":* Improved clarity of current laws and their application, helping to close discretionary loopholes and/or opportunities for rent seeking behavior from officials. A common legal definition of what timber is considered as legal by the governments at both sides, donor agencies, civil society should be developed and agreed upon by the stakeholders. The legality definition should cover social, economic, and environment aspects. This may mean the development of a set of indicators and components that could help operationalize the legality definition.

- *Improvement of law enforcement mechanisms:* Stronger enforcement mechanisms on the ground would increase the barriers and costs of rent-seeking activities by officials at various levels. Collaboration mechanisms need to be set up between two sides particularly those between custom departments. A regional working group with participants from the representatives of the government, donor agencies, and civil society could help strengthen collaboration and enforcement mechanisms.

- *Tracking, verification and chain of custody systems:* Credible verification of legal compliance in Laos, as well as improved tracking and chain of custody systems so that Vietnam's export-oriented industry can retain their historical markets in the US and EU. This could possibly include a network involving NGOs, local communities, and independent units from the government for wood-sourcing verification and certification to oversee the extraction and export processes, or the establishment of internationally standardized monitoring unit agreed upon by all stakeholders and endorsed by the both governments that is responsible for monitoring and verification.

- *Promotion of legally verified or sustainably certified wood among industries and increased public awareness on sustainable forest management.* Legal verification or sustainable certification of wood products will likely prove "due diligence" or "due care," as requested or even required by retailers, public procurement policies and/or legislative acts such as the US Lacey Act. Promotion the use of these third-party verified timbers among industries would help reduce the timber obtained from uncertified/unknown sources and facilitate the market access to US and EU markets. Measures should be taken to increase public awareness on sustainable forest management thus contributing to the use of legal timber and timber products.

- *Improved transparency on land use zoning both for timber and agriculture.* Improved transparency on land use zoning and allocation processes, and strengthening the resource tenure and rights system for local villagers in Laos is also very important for securing fairer benefits for marginalized rural and upland communities.

- *Better job opportunities:* More job opportunities for Lao villagers as well as improved and enforced Vietnamese and Lao migration policies and labor laws to protect all employees are required, in order to shield them from job insecurity and risks related to their work.

II. METHODS AND SCOPE OF THE STUDY

The data for this report was collected from November to December 2008 in the Central Highlands of Vietnam and in Attapeu province of southern Lao. The study focused primarily on several Vietnamese wood-processing/export companies (eight large processing/export companies in Kon Tum and Gia Lai provinces in Vietnam and five wood-processing companies in Laos[9]). These companies were purposely selected on the basis of the snow-ball technique and personal connection of the author and the companies. These large-scale companies each utilize between 4,000 and 15,000 m^3 of roundwood per year. In addition, a few small-scale companies and traders in both countries were interviewed, each of which processes approximately 500 to 1,000 m^3 of roundwood per year. This study is only able to reveal part of the whole picture of timber trade between the two countries, as Box 1 shows.

Box 1 - Selecting a distinct segment of the Laos-Vietnam timber commodity chain

More than 20 wood species (see Annex 1) in various forms (roundwood, preliminarily processed or semi-processed) are imported from Laos to Vietnam Through Bo Y post in Kon Tum Province in Vietnam - each of these products may follow different paths in the commodity chain with different entities benefiting. As a result, the timber commodity chain in these two countries is not a single chain, but a web of chains. A single chain of a single product will therefore only reveal a small portion of the overall commodity flow in any given sector at any given time.

Laos' forestry policy and regulatory frameworks including those for wood pricing, taxation, and quota allocation have changed over time (Bestari et al., 2006; also confirmed by our interviewees), which has strongly impacted the timber commodity chain between Laos and Vietnam. In addition, the recent global economic downturn has increased raw material and labor costs and has caused a decline in exports (Vietbao, 2008) which has substantially affected price structures, benefit distribution, and the methods actors use to benefit from the timber trade. These fast-changing economic circumstances make any study of a commodity chain challenging.

In Vietnam, data on wood import and export volumes were obtained from government agencies in Hanoi, including the Departments of Taxation, Customs, and Forest Protection. In addition, Vietnamese newspapers were important sources for secondary data. As it was difficult to access Lao government agencies in Attapeu due to the language barrier and limited time, the study only consulted donor reports and web-based newspapers to obtain secondary data on the Lao side.

Kon Tum and Gia Lai provinces in the Central Highlands of Vietnam and Attapeu province in southern Laos were selected as sites for the data collection. Kon Tum is the province where Bo Y, an

[9] For reasons of privacy, this study uses acronyms in place of company names.

important international border post between the two countries, is located.[10] Also, a large number of wood processing companies are located in Kon Tum and Gia Lai, which use wood imported from Laos through Bo Y. In addition, in the early 2000s, the Vietnamese government provided funding for the Lao government to improve Road 18 which starts at the Mekong town of Pakse, crosses Attapeu Province in southern Laos, and merges into Road 14 in Kon Tum (Figure 1). The opening of the road in April 2006 facilitated the flow of goods, including timber, between the two countries through Bo Y (Table 1).

Table 1: Volume of Wood Imported to Vietnam through Bo Y, 2006-2008

Type of Wood	2006	2007	2008*
Roundwood (m^3)	9,495	45,890	220,669
Sawnwood (m^3)	19,379	28,843	20,744
Total (m^3)	**28,893**	**74,733**	**241,414**

Source: Vietnamese Department of Customs at Bo Y. **Until October 15, 2008.*

Data from the Department of Customs at Bo Y also reveals that in 2008 about 30 Vietnamese companies - most of them located in the Central Highlands and the coastal area of Vietnam - imported 24 different wood species from Lao through the Bo Y border (Annex 1). Due to the proximity of Attapeu province to the Central Highlands of Vietnam, many Vietnamese companies have established subsidiary wood-processing operations in Attapeu, so that logs are extracted and processed in Laos before they are brought to Vietnam.

The national harvesting quota for Laos for the logging season 2007-2008 was 150,000 m^3, including infrastructure construction and government debt (see Lao Prime Minister's Order No. 30 dated 17 August 2007 on the Enhancement of Forest and Timber Business Management.) With our data derived from Department of Custom of Bo Y, it is clear that as though the official statements and regulations on timber quotas in Laos hold little relationship with what is actually happening on the ground.

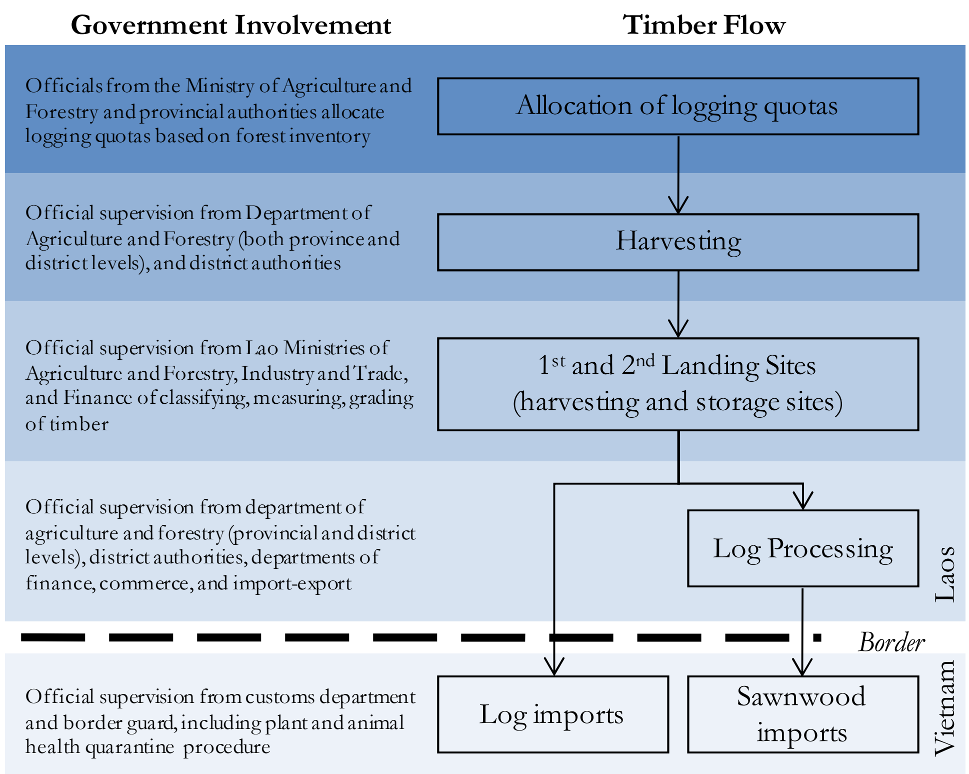
[10] Other important border posts are La Lay and Lao Bao in Quang Tri province—with Road number 9 connecting the two countries; also Cha Lo in Quang Binh province (Road 12), and Cau Treo in Ha Tinh province (Road 8). In early 2009, some members of the LaoFAB listserve (an online forum focusing on natural resource management in Laos) observed a number of trucks loaded with roundwood as they were about to cross the Cau Treo border post.

III. THE TIMBER COMMODITY CHAIN

III.1 THE FLOW OF WOOD

Laos' permitting process is extensive, with numerous permits required for obtaining logging quotas, and during the harvesting, sorting and transport operations. Along each step of the way, clearances are required by various forest officials as well as local governments (Figure 4). Each provides a potential opportunity for bribes to be given to "facilitate" the process.

Figure 4: The Flow of Timber from Laos to Vietnam and Official Government Oversight



Allocation of logging quotas: The timber commodity-chain flow from Laos to Vietnam typically begins with the allocation of a logging quota. In Laos, there are many different kinds of logging quotas, regulating all types of logging such as those for subsistence level housing construction, government infrastructure development and fundraising, "debt-repayment" logging, plantation development, and the export market. An extensive series of authorizations are required to obtain and implement each type of logging quota, offering multiple opportunities for government officials to receive bribes or other benefits from interested parties. However, it is often not perceived as corruption by the actors involved, but instead considered in terms of "patron-client relations".[11] Of particular importance is the fact that government officials often have incentives to over-state the

[11] For a complete description of the Lao logging quota allocation processes and patron-clientalism, please see Ian Baird's forthcoming report.

volume of allowable harvesting prior to the logging quota process, not only facilitating the "laundering" of wood from other sites but also in the long-term leading to over-optimistic estimations of the volume and state of Lao forests.

Harvesting and Sorting: Technically, Vietnamese companies are not legally allowed to have logging concessions in Laos (although Vietnamese workers can work for Lao companies). In practice, however, logging in the forests of the southern provinces is carried out mainly cut by Vietnamese workers brought in by Vietnamese companies during the dry season, from October to May. However, at times provincial authorities may not grant access to the forest until after October and withdraw it before May.[12]

A single logger can cut as much as about 30-50 m^3 of wood per day with his chainsaw.[13] Logs are collected by haulage machines and bulldozers, and excavators make the roads accessible for the haulage. All logs are then brought to the first landing place (log yard I). When the volume of logs in log yard I reaches around 2,000 m^3, the company invites the relevant officials from the Lao Ministries of Agriculture and Forestry, Industry and Trade, and Finance (usually three officials from each ministry) to measure the logs, classify them according to wood species, and to record them in a log list. Logs are then assigned a price. Some interviewees in Attapeu indicated that round logs from the same species are priced the same regardless of diameter. For example, *Vên Vên* (*Anisoptera cochinchinensis*) was priced at US$79 m^3 regardless of whether their diameter was 25-30 cm or 70 cm.

After the logs are measured, classified, recorded, and priced, each receives a hammer mark stamp to certify their origin and legality. The company has to pay royalties, which are calculated based on the species and volume harvested, and is then allowed to take the logs out of the forest. Most opportunities for government officials to reap personal benefits are reported to occur during the logging quota allocation process, the inventory processes and the monitoring and log measurement processes during the harvesting and sorting stages (Baird, forthcoming). Once logs have been hammer-marked and transported from the first landings to sawmills, or other processing factories, any illegally harvested wood has been laundered and inventoried so as to become officially "legally harvested."

Processing: Government regulations require the processing of roundwood within Laos. However, a company with a special logging permit,[14] which allows for value-added processing exemptions prior to export, may transport the logs to another log yard before export to Vietnam (for example, near Bo Y checkpoint (Figures 5 and 6)). For those without such a special permit, the logs are transported to Vietnamese owned processing facilities were they are sawn into different sizes, dried, etc. In Attapeu, this work is primarily performed by Vietnamese migrant workers at Vietnamese owned mills.

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[12] At the end of December 2008, the local government of Attapeu had not yet opened the forest for logging, apparently due to complex administrative procedures at the provincial level.

[13] It takes longer to cut hardwood trees than other types of trees. Usually, loggers work in teams.

[14] There are various kinds of special logging quotas or '*quota phiset*' in the Lao language, including deadwood, debt repayment, development, military and plantation preparation logging quotas.

Figure 5: Logs Stockpiled near Bo Y on Laos' Side

Figure 6: A Truck Loaded with Logs Ready to Enter Vietnam

Figure 7: Sawing Logs in a Factory in Attapeu

Figure 8: Semi-Final Products Ready for Export to Vietnam

Figure 9: Final Products (Flooring Boards) Ready for Export to Vietnam

Figure 10: Final Products on Containers Traveling to Vietnam

It is the responsibility of officials from the Lao Department of Forestry, at times in collaboration with officials from the district government office, to ensure that the factories do not use illegal logs derived from other sources.

Export transportation: To transport wood from Laos to Vietnam, trucks pass a number of checkpoints on both sides of the border. In Laos, these checkpoints and weighing stations are set up by various agencies such as the Immigration Department and the police. In Vietnam, the checkpoints start at Bo Y and are set up by the border guard, the Immigration Department, the Customs Department, and the Tax Department. In addition, the police have checkpoints for enforcing traffic laws.

When this study was conducted, all Vietnamese processing companies in Attapeu delivered their logs and sawnwood to their parent companies located in the Central Highlands or the Central East Coast of Vietnam, where they have access to seaports. Here they are further processed and packaged for export[15] (Figures 11 and 12). This study was unable to locate any products which were processed and packaged for final export within Attapeu itself.

Figure 11: Products Ready for Export

Figure 12: Dining Table and Chairs for Export to Australia

The Lao logs were used predominantly to produce both indoor and outdoor furniture for export, with the market share depending on the quality of logs harvested. About 70% of Vietnam's 450 export companies are specializing in indoor furniture and the remaining 30% are focusing on outdoor furniture (GAIN, 2005). Valuable timber species such as Maidu (*Giáng hương* in Vietnamese, *May đen* in Laos or *Pterocarpus pedatus*), Thai rosewood (*Trắc* in Vietnamese, *May khan nhung* in Laos or *Dalbergia cochichinensis*), and Pyinkado (*Căm xe* in Vietnamese, *May đen* in Laos, or *Xylia xylocarpa)* are often used for indoor furniture which is exported mainly to Asian countries such as China, Hong Kong, Taiwan, and Singapore. Outdoor furniture products are typically made from less valuable timber species, such as Keruing (*Dầu* in Vietnamese, *May nhạn* in Laos, or *Dipterocarpus spp*) and Mersawa (*Vên vên* in Vietnamese, *May bạc* in Laos, or *Anisoptera cochinchinensis*), and are mainly exported to Germany, France, Australia, and North America.

[15] The Da-Nang and Quy Nhon sea ports are close to the Central Highlands.

III.2 PATTERNS AND MECHANISMS OF BENEFIT ACCESS AND DISTRIBUTION

A number of different actors are part of this timber commodity chain, ranging from loggers and drivers, workers at processing factories, officials in both Vietnam and Laos, transporters, companies, and company management, etc. The next section analyzes patterns of benefit distribution amongst these actors.

The potential benefits from the Lao-Vietnamese timber trade are substantial. For example, during the study period, DL Company located in Gia Lai province purchased 1 m^3 of White Seraya (*Chò Chỉ* in Vietnamese, *May xi* in Lao, or *Parashorea stellata Kurzy)* at about US$400 at the factory gate. The company produced around 50 chairs from this material, each of which was sold at US$23.63 freight on board (FOB) price at Quy Nhon sea port - an increase in value of US$781 per m^3. Related costs (Table 5) are about 18%. However, the profits are highly unevenly distributed amongst actors.

III.2.1 Vietnamese Companies in Laos

Harvesting and Transport Operations

All companies in Attapeu are joint-ventures with both Vietnamese and Lao investors.[16] In reality, however, all investments in the factories belong to Vietnamese investors. As a result, all companies are primarily run by Vietnamese managers, using Vietnamese capital, while Lao partners are mainly responsible for handling regulatory procedures.

The Vietnamese companies obtain a logging permit directly from the Lao government at national or provincial offices, or purchase them from other companies. For example, logs are traded for development support, such as the building of infrastructure such as roads, schools, hydropower plants, and most often reflects an agreement between the two governments.

Almost all the loggers are Vietnamese, which are brought from Vietnam during the dry season (October to May) and are strong men mainly from the Central Highlands or the coastal regions of Vietnam. They may or may not have a labor contract. Loggers with a labor contract are usually considered formal employees and therefore eligible for social benefits such as social and health insurance. After the logging season ends, these loggers are assigned other jobs within the same company. Loggers without a labor contract, however, are only temporarily employed and are not eligible for benefits other than payment based on their piece work.

Both groups of loggers are paid according to the volume of logs they harvest, at about 50,000 VND (around US$3) per m^3. One logger can earn about 150,000-250,000 VND or US$ 8-14 a day on average. Due to the physical demands of the work, however, loggers are usually unable to work the whole month. The foreman of the company can earn as much as 5-6 million VND (US$220-330) per month.

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[16] With the exception of HA Attapeu, which has 100% foreign-owned companies.

Injuries and death associated with logging are not uncommon in Attapeu. A logger with a labor contract is eligible for compensation from the company and other social service sources as stipulated in Vietnamese Labor Law. Loggers without a labor contract, however, are not eligible for such benefits. In one case, the family of a logger who lost his life and did not have a contract received only US$350 in compensation from the company. "They [the company] value a logger less than a cow," remarked one interviewee. In another example, a Vietnamese logger who lost both legs received only a small amount of cash from the company, just enough to pay the hospital costs. Economic difficulties in Vietnam force loggers to accept these risky logging jobs in Laos.

Vietnamese companies do not want to employ Lao laborers, particularly ethnic minority villagers, to work near the logging area. According to the companies, Lao workers are unskilled and unable to harvest the timber effectively and are considered less diligent than Vietnamese workers. Also, most local people do not speak Vietnamese and are thus unable to communicate with Vietnamese managers. For these reasons, companies feel justified to hire Vietnamese workers to do the harvesting as well as other jobs. As a result, Lao villagers are largely excluded from employment opportunities in their own backyards. There are indications that sometimes local villagers and/or leaders of local villages are paid small amounts of money to not speak out against logging by Vietnamese companies (Baird, forthcoming). While this study was unable to substantiate this, Shi (2008) points out that rubber plantation investors in Northern Laos also often bypass the law and pay nothing at all to local people.

Logging operations also involve Vietnamese machine drivers who operate haulage trucks, bulldozers, and excavators. All drivers are employed by the company under labor contracts, and unlike loggers, earn a fixed salary of about US$120 per month during the off-season and US$300-360 per month during the logging season. This work is also risky and a few drivers have lost their lives while working in Laos.

Processing Factories

In Attapeu, almost all Vietnamese wood-processing companies operate 10 to 11 months per year. All skilled workers in the processing factories are Vietnamese and are paid around US$260-360 per month, often twice as much as if they worked in their own country. Their social benefits are much better than those of loggers; usually the companies provide them with free housing and meals in order to promote the workers' loyalty to the business. However, as is the case with loggers, the workers in processing factories are not legally protected. Their jobs are risky, particularly when they are working with sawmills, planing machines, and boiling tanks -serious worker accidents including fatalities were reported during the data collection for this study.

Data derived from the survey with Vietnamese companies in Attapeu reveal that the average profit a company would derive from doing business is about 6 to 10%. The highest profit recorded is 15% which is not excessively high.

Table 2: Costs Associated with Processing and Export of Wood

Costs	Value
Processing costs (sawing, boiling, drying, planing)	About US$18-40/$m^3$ depending on wood species and type of product
Royalties to Lao government	Depending on wood species (for example the royalty for *Anisoptera cochinchinensis* in December 2008 is US$79 US/m3, for *Xylia xylocarpa* the royalty is around US$500/m3)
Company income tax paid to the Lao government	20% of the total income
Company profit tax paid to the Lao government	30% of the total profit
Export tax paid to the Lao government[17]	30% (20 x 30 cm-plank); 20% (≥ 10 x 20 cm); 10% (≥ 6 x 12 cm); 0% (< 6 cm)
Cost for handling paperwork	Around US$300-500/month to hire a person (usually Vietnamese hiring a Lao senior worker) for translation and export paperwork
Unofficial fees paid to the officials to obtain logging quota	US$15,000 -100,000 per logging quota, up to US$600,000 as an extreme case recorded
Paying other officials who oversee logging and processing (Table 3, page 20)	Amount varies (also see Baird, forthcoming)

Source: Interviews with Vietnamese companies in Attapeu

Export Stage

To export wood to Vietnam, a company has to follow a complicated export-clearing procedure that usually takes about 12 days. This process directly involves four ministries (Agriculture and Forestry, Finance, Commerce, and Industry) as well as their branch offices at the local level (Global Development Solutions, 2005).

The export procedure can be delayed at any time, especially if "facilitation" payments to officials have not been made. Officials overseeing the various processes on site (e.g. processing, loading wood) can receive about 100,000 LAK (around US$12) each for every time they visit the logging site

[17] This tax is imposed by the provincial authority of Attapeu as of 1 May 2008. Different provinces may have different regulations concerning tax for wood exports. Logs imported to Vietnam under special logging permit arrangement are tax exempted.

or sawmill. If supervision takes place on weekends, this amount can be twice as high. On average, payments made to officials at various levels amounted to about US$13/m^3 of timber exported to Vietnam. For species likes *Anisoptera cochinchinensis*, this is equivalent to 16.5% of the wood price. If Laos exports about 600,000 m^3 to Vietnam, as indicated in an EIA/Telapak report, the payments to Lao state officials would total US$7.8 million per year. This amount does not include payments to officials for obtaining the logging quota.

Vietnamese Transporters

Most logs are shipped from Laos to Vietnam by truck on open articulated trailers (Figure 6), although reports of logs shipped inside containers have been observed in other areas in Laos. Sawnwood is shipped in containers (Figure 10).[18] When transporting logs, the processing companies in Attapeu hire Vietnam-based transport companies with operations in Laos to bring the wood from the logging site to the border area. Then, another transportation company in Vietnam is hired to take the wood to its final destination. This means that the logs have to be unloaded before crossing the border and then re-loaded on the Vietnamese side. Although this seems to be a complicated process, it helps the transportation company to reduce the required paperwork since trucks can only travel in their registered country.

Table 3: Timber Transport Costs for One Week Trip Bo Y to Da Nang

Item	**Cost estimate**		**Percentage**
	Million VND	**USD**	
Gasoline	7	390	31.8
Loading wood on truck	1	56	4.5
Meals and beverage for driver (1) and assistants (2) per week	3	160	13.6
Unofficial payment for officials stationed at 8 checkpoints charged with traffic law enforcement[19]	3	160	15.9
Unofficial payment for officials at Da Nang sea port	0.5	28	2.3
Unofficial payments for officials at Bo Y	0.6	33	2.7

Source: Interview with a truck driver in Bo Y.
Note: Calculation relates to a truck loaded with 40m^3 of roundwood. On average, the total cost per m3 is about US$20.70. It takes a week for this truck to get from Bo Y to Da Nang.

[18] Personal communication with a member of the LaoFAB listserv in 2009.

[19] There are six checkpoints in Kon Tum province, two in Quang Nam, and four in Da Nang. Usually, a provincial official receives twice as much as a district official.

For sawnwood, the companies in Attapeu hire transportation companies based in Vietnam that have appropriate containers to load the sawnwood. As of December 2008, transportation cost for a container transporting 25 m^3 of sawnwood from Attapeu in Laos to the seaport in Quy Nhon province of Vietnam was about 25 million VND (US$1,500). Usually, it takes 1-2 weeks for the container to get from Attapeu to Quy Nhon. However, it can take up to four weeks if the transport and export documents are not sufficient. For a truck loaded with 38-40 m^3 of roundwood, the transportation cost from Bo Y to the port in Da Nang province is 22 million VND (US$1,330). Usually, it takes 5-7 days for trucks to get from Bo Y to Da Nang. Table 3 shows the details of the costs associated with the transportation of logs.

The transportation company makes a gross profit of about 7 million VND (US$424) from each truck loaded with 38-40 m^3 of roundwood. This includes labor costs for the driver, his assistants and the depreciation of the truck. If these and maintenance costs as well as taxes are subtracted, the transportation company makes a net profit of about 3 million VND (US$180) for one trip.

Trucks loaded with roundwood and/or sawnwood from Laos have to pass a number of checkpoints before they reach their destination in Vietnam. Truck drivers often must pay officials at checkpoints and other organizations (Table 3) at both sides of the border – so-called "invisible costs." The invisible costs may add up to 15% of the price of a final product, as calculated by one informant in Kon Tum province. In addition, officials directly overseeing the importing procedures, tax payments, etc. benefit from the timber trade. As shown in Table 3, such "invisible costs" account for 20.9% of the transportation fee; they facilitate the import of wood from Laos to Vietnam and the export of furniture to markets abroad. An interviewee in Kon Tum province indicated that his company sometimes has to make substantial payments so that provincial officials enable an expedient export of their products.

III.2.2 Vietnamese Companies Operations in Vietnam

Within Vietnam itself, there are at least four different types of companies involved in the Laos-Vietnam timber commodity chain (Figure 13), but do not engage in logging within Laos. Company types A, B, C and D differ in the ways they procure the wood and how they market their products, as well as in the costs and benefits related to their business.

Company Type A: This type of Vietnamese company procures wood from Laos either through their own wood-processing factories in Laos or via other companies. They do not have processing factories in Vietnam and merely focus on the trading of wood.

NH Company in Kon Tum province is an example. In 2008, the company imported sawnwood from its processing company in Pakse province in Laos and sold it to other companies in Vietnam. For example, on 10 May 2008, the company imported 275 m^3 of sawnwood of *Căm xe* (in Vietnamese, or *Xylia xylocarpa)* and *Sao xanh* (in Vietnamese, or *Homalium caryophyllaceum)* from Laos through Bo Y to Hue province in central Vietnam. Table 4 shows the description and prices of sawnwood at Bo Y.

Figure 13: Types of Companies in Vietnam

Company Type A – Traders
• Procures sawnwood from Laos from either company-owned factory, or other Laos-based factories
• Imports sawnwood to Vietnam to sell to other companies

Company Type B – Small-scale Processor
• Procures sawnwood and roundwood from other companies based in Vietnam and Laos
• Imports wood products from Laos or purchases imported wood in Vietnam for processing in company owned Vietnamese factories, for domestic and international use

Company Type C – Large Scale Processor
• Procures sawnwood and roundwood from company-owned factories or other company factories in Laos, Malaysia, Indonesia and other countries in the region
• Imports wood products to Vietnam for processing in large-scale, company owned factories
• Produces mostly furniture for export internationally

Company Type D – Pseudo-Agribusiness
• Purchases land-concession intended for agricultural use
• Profit is made by either harvesting logs from land and then selling the agricultural concession, or by selling the concession after completing the long, bureaucratic purchasing process

Table 4: Wood Species and Prices at Bo Y

Imported Wood Species	Description of Sawnwood	Price US$/m³
Căm Xe (*Xylia xylocarpa*)	1.3-30 cm x 9-39 cm x 1.8-4.5 m (depth x width x length)	450
Giáng Hương (*Pterocarpus pedatus*)	1.3-30 cm x 9-39 cm x 1.8-4.5 m	600
Sao Xanh (*Homalium caryophyllaceum*)	19 cm x 2-21 cm x 2.2 – 4.5 m	360

Source: Interview with NH Company.

On 12 June 2008, the company sold a shipment of *Căm Xe* and *Sao Xanh* to a company in Hanoi for US$480/m³ and US$390/m³ respectively. After paying all associated costs (tax, warehouse fees, transportation cost, health quarantine fees, plant quarantine fees, customs fees, loading and unloading fees), the company's net profit was merely 2-3%. The company's accountant noted that the company would sell wood as long as the net profit from the sale exceeds 1%. The accountant, however, was not sure about the true benefits from the trade, as the company bought the wood from a factory belonging to the company's director located in Laos. Thus, the price the company paid for the wood may not necessarily represent the true market price (and is most likely lower than the going market price). As mentioned earlier, all the companies in Attapeu that were interviewed for this study have parent companies in Vietnam, thus, such procedures may be common practice.

Company Type B: These companies have processing factories in Vietnam, and purchase their wood from other companies in Vietnam (for example NH Company) or Laos. Usually, they buy both sawnwood and roundwood and produce furniture for both domestic and export markets.

DL Company in Gia Lai province is one example. This firm began importing wood from Laos in 1995. From 1998 to 2003, the company focused primarily on export markets. It produced both indoor and outdoor furniture and exported to European markets, Singapore, China, and Taiwan. However, since 2003, there has been increased competition in exports due to the soaring number of export companies in Vietnam. Since then, the company has shifted focused to the domestic market and produces products for its own real estate projects. By 2008, 60% of company products were sold in the domestic market.

Table 5: Price Structure of a Wood Chair at Quy Nhon

Items	**Percentage**
Raw material (wood)	70
Other materials (screw, hinge, oil, etc.)	12
Labor and management	5
Transportation (from Gia Lai to Quy Nhon)	0.4
Customs fees, billing fee storage	0.1
Risk prevention fund	0.1
Total Costs	**87.6**
Gross profit	**12.4**

Source: Interview with DL Company

The company has three factories in Gia Lai province which employ about 500 workers. For its 2008 production, it used 7,000 m^3 of imported Lao roundwood and another 1,500 m^3 of sawnwood of *Chò Chỉ* (in Vietnamese, or *Parashorea stellata Kury*) and *Dầu* (in Vietnamese, or *Dipterocarpus spp*) from a company in Nha Trang province in Vietnam. The *Chò Chỉ* was bought at US$424-450 m^3 and *Dầu* at US$330–390 m^3. The company used *Chò Chỉ* and *Dầu* to produce outdoor chairs for export. Table 5 shows the price structure for one such chair made from 0.017 m^3 of sawnwood. This chair is sold at US$23.63 FOB at Quy Nhon sea port. The total gross profit the company derives from the export is 12.4% and the net profit (after tax) is about 5-6%.

Company Type C: These companies have very large processing factories in Vietnam and produce furniture primarily for export markets. They procure both roundwood and sawnwood from their own factories or other companies in Laos or from companies in other countries such as Malaysia and Indonesia.

Table 6: Price structure of a Final Product

Items	Percentage
Raw material (wood)	60
Fees (health quarantine, plant quarantine, customs)	1
Log yard fee (at Bo Y)[20]	3
Transportation cost (from Bo Y to the company's factory in Kon Tum	12
Management cost	7
Costs associated with wood procure at the log yard in Bo Y[21]	3
Value added tax (VAT)	10
Other	2.5
Total cost	**98.5**
Profit	**1.5**

Source: Interview with TD Company

TD Company in Kon Tum province is an example. From 2001 to 2007, TD imported on average about 20,000-30,000 m^3 roundwood from Laos per year. Since 2008, when the provincial government of Attapeu started to impose new export tax regulations, the company has switched to importing sawnwood from its own Lao factory exclusively, with a total amount of 7,800 m^3 of sawnwood imports in 2008, mainly *Sao Xanh* and *Căm Xe*. This wood was used to produce furniture for export to Singapore and China. Table 6 shows the price structure of a final product.

The company's profit seems to be small (1.5%). However, as all products were exported, the company is eligible for a VAT return. Eventually, the company's net profit after tax, depreciation, and "invisible costs" is about 7-8%, as the company's Vice Director estimated.

Company Type D: These companies benefit from wood logged in Laos in different ways. They often start with agribusiness investment projects in Laos, mainly involving cash crop plantations (rubber and cashew). As noted by a senior economist of the Asian Development Bank, Laos is a very good place for investment in plantation (cited in Lang and Shoemaker, 2006; Barney, 2008a, 2008b). The company prepares project documents and submits them to the Lao government, requesting land

[20] This fee is set at 3% of the total value of wood imported to Vietnam. The fee is collected by the provincial Department of Taxation.

[21] In order to procure wood in the log yard near Bo Y, the company needs to send 12 employees: one manager, three skilled workers to measure the wood, and then two workers each to do the recording, complete the paperwork (for import/export), and to collect other data.

for the establishment of tree plantations of about 5,000-10,000 ha.[22] Once the projects are approved, they pay the land rent and establish their plantations after harvesting the logs.[23] However, some companies, after receiving permission from the Lao government and securing the concession rights, do not follow through on their original plan and sell their concessions to other companies at a substantial profit, as in the example of BV Company.[24]

BV Company is a private company located in Binh Phuoc province in the central coastal region of Vietnam. In 2006, BV submitted a project proposal to the provincial authorities of Attapeu province, requesting 20,000 ha of land for the establishment of rubber and cashew plantations. It took about two years to be approved by the Lao government. To facilitate the approval, the BV Company needed to liaise with the local authorities of Attapeu; and present confirmation from a bank in Vietnam that documented the provision of funding (US$27 million). BV Company had to obtain approval not only from the local authorities of Attapeu province but also the Lao Committee for Planning and Investment at the national level. Securing these approvals cost BV Company approximately US$300,000 including "invisible costs".

BV Company itself was not able to complete all the work and had to collaborate with TT Company, an import-export and construction business, located in Ho Chi Minh City, which acted as its legal advisor. Another company, CJS, acted as its partner and shared the "invisible costs" for operating in Laos. In May 2008, these three companies signed a contract detailing the rights and duties of each entity. According to the contract, TT Company, as the project's legal advisor, did not have to contribute any financial resources to the project. CJS, on the other hand, was expected to participate in all activities related to project management and implementation. The contract also stipulated that CJS was responsible for the land/forest surveying fee (US$5/ha, or US$100,000 for 20,000 ha) to be paid to the Lao government and also for the US$50,000 to cover the costs associated with transportation, lodging, food, and the "invisible costs" for the survey team from the Lao government. In addition, Cana Join-Stock was to reimburse BV Company for part of the money BV Company had laid out to get the project approved. As per benefit distribution, BV Company was entitled to 40%, TT Company to 15% and CJS to 45% of the project's profits.

All 20,000 ha of the land granted to BV Company was forestland; half of the land had standing trees with marketable value. In November 2008, CJS signed a contract with HT Company in Kon Tum province, with whom it had a close relationship, assigning HT to log all timber trees on 10,000 ha of the land allocated to the project. While it is not known how much HT paid CJS to obtain the contract, it is possible that it was a substantial amount as immediately after signing the contract, HT requested a loan of US$375,000 from a local bank in Kon Tum.

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[22] HA Attapeu Companyobtained 30,000 ha from the Lao government for rubber plantation establishment.

[23] Usually the companies do not have to pay any land rent until after the first tree harvest. Even then the fee is low, sometimes only US$3- 6 / ha / year; or, land rents can be "free" in exchange for joint venture status.

[24]All information related to this example is based on the project proposal and various contracts signed between the five companies involved in the business. All company names have been changed.

Table 7: Payments from XP to HT

Wood Species Log Size diameter (Φ)	Wood in Group I (US\$/m³)	Wood in Groups II and III (US\$/m³)	Wood in Groups IV and V (US\$/m³)
Logs with Φ < 29 cm	3	3	3
Logs with Φ of 29-45 cm	50	35	20
Logs with Φ > 45 cm	55	40	25

Source: Contract between HT Company and XP Company

The situated was complicated further when HT Company passed the logging contract to XP Company in Gia Lai province which also has a factory in Attapeu. A contract was signed between HT and XP, stipulating that XP Company had to (i) extract and buy all logs from the 10,000 ha of forestland; (ii) pay royalties to the Lao government; and (iii) pay HT Company for all the costs related to obtaining of logging quota. Table 7 presents the amount of money XP Company would have had to pay HT based on the volume and species of wood XP would have harvested from the forest.[25]

The contract between XP and HT also stipulated that, if the volume of logs harvested by XP exceeded 15% of the volume measured by Lao officials, XP would have to pay HT the difference in cash based on the wood's market price, possibly because under-measuring is a common practice among logging companies (Jonson, 2006).[26] The contract further states that HT Company had to (i) bring workers and machineries needed for logging to Laos, (ii) obtain permission and all necessary documents from Lao authorities to bring logs with a diameter below 45 centimeters (cm) to its wood factory in Laos and logs with a diameter over 45 cm to Vietnam.

Cases such as the one above appear to be quite common (Shi, 2008). Our example reveals that land concessions are being used for logging purposes in Laos, as logging will bring more profit. A posting from a wood-processing company in Ho Chi Minh City found on the internet in October 2008 (Box 2) confirms this.[27]

[25] At the time of the fieldwork, the logging season had not started yet

[26] Jonson (2006:3) reports that "at some landings controls show that original scaling of logs gave too low volumes" and mentions that the discrepancies can be up to 30%.

[27] This advertisement was posted in Vietnamese on the website www.raovat123.com. It also included the name of the company and contact information, including the cell phone number of the company manager.

Box 2 - "Partners to Extract Timber in Laos Needed" Internet advertisement, October 2008

"We have the permission to harvest 200,000 m3 of timber in Laos. We have machineries and equipments needed for extraction. Currently, we urgently need financial resources for the logging and are looking for partners who have around US$150,000 in cash. Profits from this project will be equally divided between the two partners. We look forward to your cooperation."

It is not clear if BV Company, TT Company, and CJS ever intended to establish rubber and cashew plantations in Laos after extracting all timber from the land granted to them. However, it seems that the profits from the timber harvest exceed the payments for obtaining the land concession, so that the companies would benefit from the deal even before plantations were established. Also, there is evidence that some Vietnamese companies (and other foreign firms) start with an investment project as the one above in Laos and discontinue the project after extracting all the logs from the land (Shi, 2008; Bestari et al., 2006). In addition, it is well known that some companies try to get land concessions approved by the Lao authorities and then transfer the concession to other companies, deals from which they make substantial profits (The Gioi Vietnam, 2008).

In sum, different types of companies are involved in the timber commodity chain between Laos and Vietnam. Companies of type A primarily focus on the trading of wood from Laos and thus limit their position for value capture in the chain. Company types B and C participate in more segments of the commodity chain and also benefit more than companies in group A. Type D companies primarily focus on benefiting from the timber trade as quickly as possible.

In reality, the companies of the four groups often collaborate with each other. Some companies from group C, for example, import timber from Laos and sell it to companies in groups A and B, and vice versa. Some companies in group B with logging machinery become partners of the companies in group D. These blurred boundaries among the company groups make the timber commodity chain very complex. In addition, the recent global economic downturn has strongly affected the timber commodity chain, as the next section shows.

III.3 EMERGING MARKET TRENDS

Impacts of the financial crisis: Prior to the recent financial crisis, a number of Vietnamese companies were able to make substantial profits from the trading of timber from Laos. In 2008, due to the economic crisis, the nature and structure of the industry has rapidly changed.

Some of these firms primarily focused on the trading of rosewood, a wood species with a very high market value, despite the fact that the harvesting of this species is banned in Laos (FAO and The Nature Conservancy, 2008). In 2007, the price of rosewood in Laos was US$7,000/$m^3$ in Laos and US$12,000/$m^3$ in China, providing a strong incentive for the harvesting and trade of this species. A company in Gia Lai province, for example, made a profit of about US$6 million from trading rosewood within a three month period in 2007. In 2008, the same company bought a large amount of this wood at US$1,000/$m^3$, but due to the economic downturn and a decline in demand from China, the price dropped to US$5,000/$m^3$ - and the company went bankrupt.

Another example is that of a company in Quy Nhon province that made a US$5.5 million profit from processing and exporting about 3,000 m^3 of a high-value species in 2007. To purchase raw materials for processing in 2008, it sought a large loan from a bank to finance the purchase. However, as the wood price plummeted, the company was unable to sell the wood for the price it originally paid and consequently went bankrupt.

The economic recession has not affected all wood companies equally. Small-scale companies producing furniture mainly for domestic markets have been affected the most. In the middle of the crisis in 2008, risk-averse banks refused to lend money to small-scale companies or to companies who they suspected might not be able to repay their loans. Companies were not able to secure the loans they needed to procure the wood they needed for business, and for those that are domestic-oriented firms (as opposed to export-oriented), were not eligible for VAT(a tax exemption that lowers the cost of production). Eventually, many of these small companies went out of business or reduced their production.

For the most part, middle- and large-scale companies had less difficulty in accessing loans and were eligible for VAT exemption. However, some larger companies were also negatively affected by the global recession. Demand for furniture products from export markets has declined between 30 to 40% from 2008 to 2009, as compared to 2007 (interview, President of Vietnam Forest Product Association (Vifores)). All eight export companies interviewed reported a substantial reduction in their export revenues, with no signs of recovery by early 2009.

Demand for "known source" and legally verified wood products: Emerging market trends and new legislative requirements requiring third party verification of legally sourced wood products, or some form of "due diligence" in the sourcing of wood products, has caused a number of difficulties for Vietnamese furniture exporters. Retailers in Europe and North America are increasingly demanding certified wood products, and European public procurement policies are further increasing demand. In 2008, the US government amended the US Lacey Act, making it an offence to trade in illegally harvested timber products and requiring declaration of species and country of harvest for imported timber products. In Europe, emerging European Community legislation will require all operators who place timber products on the market for the first time to implement a due diligence system to minimize the risk that the timber was illegally harvested. While all are relatively different in requirements, they have common elements such as proof of "due care" and documentation of product origin, volume and species. In response, many Vietnamese export companies have been gradually shifting from EU and US markets to less environmentally sensitive markets, particularly Eastern Europe, Russia, and the Middle East (Industrial Review of Vietnam, 2008; Vietnamnet, 2008). However, as furniture export revenue derived from EU and US markets accounts for about US$1.8 billion, or 64% of the total export revenue[28], Vietnamese exporters and their supplies cannot ignore these trends.

Some government organizations and wood companies acknowledge that wood of Lao origin is perceived to be illegal, or of questionable origin; well known large-scale companies such as Truong Thanh Furniture Corporation and Tran Duc Group that export furniture to the US or European markets no longer purchase wood from Laos due to the risk to their reputation. In order to improve their access to environmentally sensitive markets, large-scale Vietnamese companies have been trying to obtain Chain of Custody (CoC) certification. Currently, there are about 170 companies out of 2,500 companies in total (less than 7%) that have obtained CoC certification – but it remains to be seen whether the lack of availability of legally verified or certified timber will create a bottleneck at the first production stage.

III.4 MECHANISMS OF BENEFIT DERIVATION

A study by FAO and The Nature Conservancy (2008) highlights that many legislative documents of the Lao government contain clauses such as: "unless approved by the government" or "unless determined in special cases to be in the interest of the national community." Such clauses leave a lot of room for interpretation and opportunities for rent seeking behaviour by authorities. A possible scenario would be a "type D" company who used their land concession project to justify a logging concession, often called special logging quota.[29] Coupled with poorly defined procedures for sales and export, these clauses as well as overlapping policies, among other things, enable Lao officials who represent "the government" - or at least claim they can (FAO and The Nature Conservancy, 2008) - to benefit from corrupt practices (see also Shi, 2008; Jonson, 2006; Lang and Shoemaker, 2006). Table 8 presents the various mechanisms through which various groups benefit from the timber trade.

Both Laos and Vietnamese border officials are in positions to benefit from the timber commodity chain through their oversight of the transportation and import processes. While unofficial payments to the traffic police overseeing timber transport are common practice, and payments to officials from other agencies such as taxation and customs are less common.

[28] Source: Nguyen Ton Quyen's speech in the Workshop *FLEGT and involved stakeholders in Vietnam* organized by IUCN in Ho Chi Minh City, Vietnam, 28 July 2009. Also see Figure 2.

[29] For a more detailed account of special logging quota, see Baird, 2009.

Table 8: Mechanisms of Benefit Derivation

Actor	Benefit Mechanisms
Loggers	Physical strength to do the work; connection with other loggers to maintain access to the work, acceptance of risk (in work and job), temporary separation from family when working in Laos.
Machine drivers	Professional skills to drive the machines, job security, acceptance of risk (in work and job), temporary separation from family when working in Laos.
Factory workers	Professional skills to work in the factory, job security, temporary separation from family
Vietnamese companies in Laos	Collaboration with Lao people in joint-ventures, as required by the Law of Foreign Investment of the Lao government, paying official and unofficial costs to obtain logging quota, etc. Strong capital and infrastructure base to facilitate extraction and processing activities
Lao officials	Power over logging quota distribution, overseeing the logging, transportation, processing, and exporting activities
Vietnamese transporters	Financial resources (for buying trucks), transporting over-weight loads, paying official and unofficial costs
Vietnamese officials	Oversees imports and exports, transportation
Vietnamese companies in Vietnam	Financial resources and infrastructure (for processing and export), connections with wood suppliers in Laos (either through their own factories or partners), access to domestic and export markets, connections to authorities in both countries

As described earlier, Vietnamese wood companies have adopted a number of strategies to benefit from the timber commodity chain. In general, these companies have capital and a good infrastructure in place: many have their own factories in Laos to procure wood and are part of national and international business networks. In addition, they have close ties to government officials at different levels. Particularly type D companies have strong connections to high-ranking Lao government officials from the Office of the Government and the National Committee for Planning and Investments, thus being able to obtain special logging quotas that are usually only granted to investment projects (such as the BV Company example mentioned earlier). According to the Lao Forestry Law, logging is only allowed in Production Forest Areas that have an approved management plan (see Jonson, 2006), and export of roundwood, sawnwood and semi-finished products is prohibited as is the harvesting of a select list of species (Global Development Solutions, 2005).[30] However, if a company has a special logging quota, it is allowed to harvest and export roundwood of any species regardless of legal restrictions. The data provided by the Bo Y Custom Department reveals that more than 220,000 m^3 of roundwood from more than 20 species - some of which are banned for export - were imported into Vietnam from Laos in 2008 (see Annex 1).

Since 2008, a new wood export policy has been implemented in Attapeu province under which the export of roundwood is prohibited and the export of sawnwood is subject to a specific export tax (Table 2, footnote 21). The introduction of a Lao export tax coupled with the global economic crisis increased the costs of labor and materials; together with declining access to credit has put many companies in a very difficult position. However, not all companies have been affected equally: some have stayed in business and maintained their production near pre-recession levels, some have been trying to cut costs and reduce their production, some have closed down temporarily until the economy recovers, while others have closed down their businesses completely. Table 9 presents the strategies several companies have adopted during the global recession and as regulations and legal frameworks on wood extraction and export have become more restrictive.

As the economic crisis has increased production costs, obtaining small logs is not economically effective. As a result, companies are now restricting logging to large diameter trees of 60 cm and larger, and where logging precedes land clearing, felling and burning small diameter trees. A director of a Vietnamese company in Attapeu explained:

> *"If we process 1.2–1.3 m^3 of logs with a diameter of 60 cm or bigger we obtain 1 m^3 of sawnwood. But to obtain the same amount of sawnwood, we need 3 m^3 of logs with a diameter of 30-40 cm. We will run a loss, if we get the small trees. Thus we burn and dump all small trees in the forest."*

Another company director explained why his company has to process high-value wood:

> *"All of us would run a loss if we followed the regulations… Costs, including those for the officials, are so high… if we get low-value species, we will run a loss, so we only focus on the high-value species… In 3-4 years all high-value species in Laos will be gone."*

[30] These species include Mai Kha Nhoung in Laos (*Dalbergia cochinchinensis*), Mai Kham Phi (*Dalbergia boriensis*), Mai Dou Lai (*Dalbergia cambodiana*), Mai Long Leng (*Cunninghamia sinensis*), Mai Phout Pha (*Gardenia cambodiana*), Mai Ka Cha (scientific name is not available), Mai Tae Kha (*Afzelia xylocarpa*), Mai Ketsana (*Agarwood*), Mai Dou (*Pterocarpus macrocarpus*), Mai Moun (*Elaeocarpus siamensis*), Mai Man Pa (*Fragraea fragrans*), Mai Ket Lin (*Desmodium longipes*), Mai Khonta Xang (*Alternanthera sessilis*), and Mai Champa Pa (*Michelia champaca*).

Table 9: Vietnamese Companies' Coping Mechanisms

Difficulties	Coping Mechanisms
High cost of hiring Lao workers[31]	Bring workers from Vietnam to Laos
Restrictions of the Lao labor law, which stipulate that workers in a joint-venture must be 10% Vietnamese and 90% Lao	Unofficial payments to officials in both countries to bring workers from Vietnam to Laos[32]
Lao Labor law requires companies to provide protection to the workers when they work on site	Employ temporary/seasonal instead of full-time workers to avoid liability in case of accidents, as these workers are not subject to the labor laws in either country
Lao investment law requires Vietnamese companies to collaborate with Lao partners in joint-ventures	Collaborate with high-ranking Lao officials to gain impunity
Lao forestry law bans the export of roundwood	Roundwood is turned into sawnwood;[33] companies try to obtain special logging quotas
Introduction of export tax by the government	Avoid tax by obtaining a special logging quota; bring request from Vietnam to Laos and produce final products there; bring semi-final products to other provinces in Laos with no export tax policy and then export to Vietnam
High production costs as a result of the economic crisis	Reduce royalties by collaborating with Lao officials to under-report the amount of wood harvested and to re-classify wood species from high-value to low-value; not using low- value wood species and smaller diameter trees, but high-value (protected) and big diameter trees.

Source: Interviews

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[31] According to our informants, the processing cost in Attapeu of Laos is twice as high as in the Central Highlands of Vietnam.

[32] According to the President of the Vietnamese-Lao Association in Attapeu, there are about 5,000 Vietnamese workers in Attapeu many of whom entered Laos illegally. See also the article Đầu Tư Vào Lào: Doanh Nghiệp Còn Tự Phát [Investing in Laos: Vietnamese companies are spontaneous] by the Ministry of Foreign Affairs. http://www.mofa.gov.vn/vi/cn_vakv/ca_tbd/nr040819103029/ns070817104120

[33] One interview partner in Kon Tum referred to the wood extracted from Lao using the analogy of a chicken. He said, "Prior to the logging ban, they [the Lao government] gave us the whole chicken with feathers and meat [referring to the roundwood]. Now, they only give us meat [referring to the sawnwood] and not the feathers." According to him, it is more time and cost-efficient, given the high processing cost in Laos, for the company to bring roundwood to Vietnam than to process the wood and import sawnwood.

In Vietnam, the wood industry is very important, both in terms of its contribution to the country's income from exports and the number of workers absorbed by the industry. When they experienced economic constraints, the wood companies, particularly the large ones, requested support from the government. In response, the Vietnamese government lifted the export tax, previously at 10% for wood products, to strengthen the industries' competitiveness. In addition, the government has provided long-term loans with favorable conditions to these companies. In January 2009, for example, HA Company obtained a loan of US$360 million from the Vietnam Bank of Investment and Development for expanding its range of production, including wood processing and export. DL Company was given a 50% tax deduction on imported wood-processing machinery. In addition, the Vietnamese government provides institutional support particularly to furniture export companies to facilitate their access to export markets. TD Company, for example, received a certification of origin for the wood it procures in Laos from the Vietnam Chamber of Commerce and Industry (VCCI), allowing it to export furniture to Hong Kong and Taiwan and other markets that do not accept the wood certified by the Lao government. However, the certificate of origin issued by the VCCI does not help furniture export companies to access environmentally sensitive markets such as the EU or the US. Yet, companies could get indirect access to these particular markets by selling their products to other countries that have access to these markets. According to one interviewee, one of the largest suppliers of outdoor furniture in the world working in Vietnam, companies may have subcontracts with several wood companies that import wood from Laos so long as the companies have a certificate of origin from the VCCI. If this is correct, the wood from Laos can still find its way into the environmentally sensitive markets in Europe and North America via this indirect manner.

IV. CONCLUSION

This study has examined the timber commodity chain between Laos and Vietnam, focusing on the question of who benefits from the timber trade and how and examined the particular situation of loggers, drivers, officials of different ranks at different agencies, companies and their employees. In general, the timber trade is rather profitable, but the benefits are not equally distributed among stakeholders. Individuals and organizations in powerful positions and with existing financial resources, or those who have close ties to them, generally benefit more while groups or individuals that are already disadvantaged are marginalized. While they live in the area where timber is extracted, Lao villagers—many of whom are ethnic minorities—hardly benefit at all from the trade of timber.

This imbalanced distribution of benefits from the timber trade can be attributed to the status and assets of the various groups and individuals that participate and also to the mechanisms through which they benefit from the trade. The Lao officials at the national and provincial level who decide or strongly influence decisions about logging quotas and extraction volumes benefit the most. Officials at the local level do not have any influence on quota allocation, but oversee the wood companies and benefit from the timber trade in this way. The fact that government officials who influence the decision-making processes have been seeking payments has caused livelihood and environmental problems at the local level, as they permit the wood extraction to take place (Shi, 2008; Bestari et al. 2006; Jonson, 2006; Lang and Shoemaker, 2006).

This study has shown that timber harvesting occurs under different disguises. These practices are partially attributable to the abuse of power by these officials, but are also the results of loopholes in the Lao legal system (FAO and The Nature Conservancy, 2008). Further, as highlighted in this study, continuing timber extraction at the local level in Laos is the result of a relentless search for timber by Vietnamese companies due to the high market demand for timber products (see also the report by Yale Program on Forestry and Governance, 2008). Additional factors include the continuous efforts by the Vietnamese government, form of financial and institutional support, to enable the country's furniture industry to increase its income derived from exports even in the face of raw material shortages. The government's financial support to HA Company mentioned earlier reflects this well.

The global economic crisis has had a negative effect on the wood industry in Vietnam and consequently the wood-extracting and processing sectors in Laos have also been affected. Controls over the export of roundwood into Vietnam have been more stringent which has caused a number of difficulties for Vietnamese companies sourcing wood from Laos; this, in turn, has negatively impacted the Vietnamese furniture industry. However, this does not necessarily mean that a smaller volume of roundwood is extracted in Laos and imported to Vietnam. In fact, statistics from the Department of Custom in Bo Y show an increase in these imports in recent years. This either indicates the ineffectiveness, if not failure, of Lao forest policy and regulatory enforcement for reducing the extraction of timber from Laos' forests. In practice, policies and regulations are often bypassed by powerful entities, and officials enforcing these policies and regulations easily succumb to bribery (also see Jonson, 2006).

The findings from this study have implications for the enforcement of initiatives such as the EU Due Diligence Regulation, the US Lacey Act and the emerging payment schemes like payment for ecosystem service (PES) and Reducing Emission from Deforestation and Forest Degradation (REDD), as well as for the World Bank and ADB-supported forestry programs in Laos.[34] How effective can these institutions and programs be in protecting the remaining forests in Laos or in shaping the forest practices on the ground to sustain the natural forest? So far, there has been no clear evidence that these institutions and initiatives will have a positive impact on logging practices (Jonson, 2006; Bestari et al., 2008). Further, it may become more difficult for these initiatives aimed at protecting forest resources to be recognized on the ground, given that the timber trade between Laos and Vietnam is seen as legal or at least legitimate by both governments and contributes significantly to their revenues. This situation is the reason that logging in Laos is continuing, backed by both governments and often disguised under large development mega-projects such as hydro-energy developments or plantation crop production projects. Neither the Vietnamese companies nor the government are ready to give up their wood sources from Laos. In Laos, 11% of the total tax revenue comes from timber royalties (Global Development Solutions, 2005), which is why the Lao government supports timber exports to Vietnam. Most interviewees mentioned that they do not foresee any changes in forest resource extraction in Laos in the next five years, even in spite of the global economic crisis and increasing logging and export restrictions.

The current situation is clearly in need of improvement. Due to the official government involvement in the Vietnam-Laos trade, international NGOs and the donor community must work with the governments of both countries. National campaigns on sustainable forest management may also help in raising the public's awareness. A network involving NGOs, local communities, and independent units from the government for wood-sourcing verification and certification to oversee the extraction and export would also be important. Lao forestry regulations have to be revised so that local villagers are included more in decision-making and forest-extraction processes. Local Lao villagers need to be empowered so that the unbalanced relationship between Vietnamese companies and the Lao officials on the one hand, and Lao companies and villagers on the other, is redressed. A possible way to do so would be to strengthen the resource tenure right system at the local level. This way a more balanced distribution of power would be achieved, helping to direct more of the benefits of sustainable forest management towards the local level. In addition, stronger enforcement mechanisms on the ground would prevent rent-seeking activities of the local officials and provide more job opportunities for Lao villagers. Vietnamese and Lao migration policies and labor laws should be strictly implemented to protect the loggers, particularly those without a labor contract, in order to protect them from job insecurity and risks related to their work.

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[34] The World Bank and the Finnish government have supported the project entitled *Sustainable Forestry and Rural Development Project*, aiming at enhancing multiple-purpose management of natural forests designated to production purposes (see more in Jonson, 2006). ADB has funded the tree plantation project aiming at rapidly expanding tree plantation area in the country (Lang and Shoemaker, 2006).

ANNEX: LIST OF WOOD SPECIES IMPORTED TO VIETNAM THROUGH BO Y IN 2008

No	*Vietnamese name*	*Lao name*	*Scientific name*	*Imported in large quantity*[35]
1	Sao	May khan	Homalium caryophyllaceum Benth	X
2	Tếch	May sac	Tectona grandis Linn	X
3	Giáng Hương	May đen	Pterocarpus Pedatus Pierre	X
4	Lim	May đeng	Erythrophloeum spp	
5	Pơ Mu	May long leng	Cunninghamia konishii Hayata	
6	Sồi	May chit	Castanopsis spp	
7	Trắc	May khan nhung	Dalbergia Nigrescens Kuiz	
8	Thông	May pet	Pinus spp	
9	Táu	May hang	Vatica spp	
10	Gõ	May to he	(not available)	
11	Cẩm Lai	May da đong	Dalberia spp	
12	Dổi	May cham pa	(not available)	X
13	Sến	May ca nham	Fassi spp or Fosree spp	X
14	Cà Chít	May chit	Shorea Obtusa Wall	X
15	Chò chỉ	May xi	Parashorea stellata Kury	
16	Cóc đá	Kin nga	(not available)	
17	Bằng lăng	May puôi	Lagerstroemia Angustifiolia	
18	Dầu	May nhan	Dipterocarpus sp	X
19	Sao xanh	May khen hua	Hopea ferrea	
20	Căm xe	May đen	Xylia xylocarpa	
21	(not available)	Sang May	(not available)	
22	Kiền Kiền	(not available)	Hopea pierrie Hance	
23	Vên Vên	May bac	Anisoptera cochinchinensis.	
24	Gỗ tạp	May hao	Undefined wood (usually with low market value)	

Source: Department of Custom of Bo Y.

[35] This information is recorded by the Department of Custom at Bo Y, but the value of the wood is not clear.

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