

Vietnam at the crossroads of timber legality

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Structure

1. VN as a country – a quick glance
2. Two concerns of VN forestry and Wood Industry
3. VN forestry with dynamic processes towards SFM & forest legality
4. VN wood industry and further development
5. Timber legality as the “to be or not to be” question !
5. Conclusions

1. VN as a country – a quick glance

- Land area: over 33 million ha;
- Population: about 100 million;
- GDP US\$ 340 billion (yet, remains as a very small economy !);
- Income per capita US\$ 3,500 (2020), No. 115th in the world; lower-middle income country;
- Economic growth rate 6 – 7% per annum, if no COVID-19;
- Monthly salary: US\$ 200 – 300/person;
- One of the top countries facing impacts of climate change;
- Pioneering initiatives/processes towards SFM and timber legality assurance.



2. Two concerns of VN forestry & WI

- *Natural disasters*

Deforestation & micro hydropower toughly accused – drastic shift to environmental forestry and CC responsive forestry needed !



- *Timber legality & trade protectionism*

- In October, 2020, USTR initiated Section 301 investigation on VN possible importing, using & trading illegal timber !;
- Anti-dumping/anti-circumvention/countervailing duties (AD/ACD) – too much trappy/tricky !;
- AD imposed on plywood exported to South Korea;
- US investigation against plywood exported from VN;
- Canada imposed AD/AC duties on upholstered seats exported from VN;
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- Free trade agreements (CT TPP, EVFTA ...) vs trade protectionism, VN wood industry - victim of trade protectionism !.

- Severe deforestation after Vietnam war (forest coverage dropped to 18 – 20% between 1975 – 1990s);
- Forested land: 14.3 million ha (10 mln ha of natural forests + 4.3 mln ha of planted forest);
- Land tenure reform (1986), huge reforestation programmes, forest coverage increased to 42% (2020); 3 million ha of commercial plantation owned by 3 million households, producing 30 million M3 wood/year;
- 2016: Ban on logging of natural forest;
- Innovative financing mechanisms tested: PFES (PES) collected US\$ 130 million/year to remunerate catchment farmers/upland dwellers;
- REDD+ passed readiness-getting phase (tested); moved to on-ground implementation/result-based payment (FCPF program);
- Ban on natural forest logging from 2016.

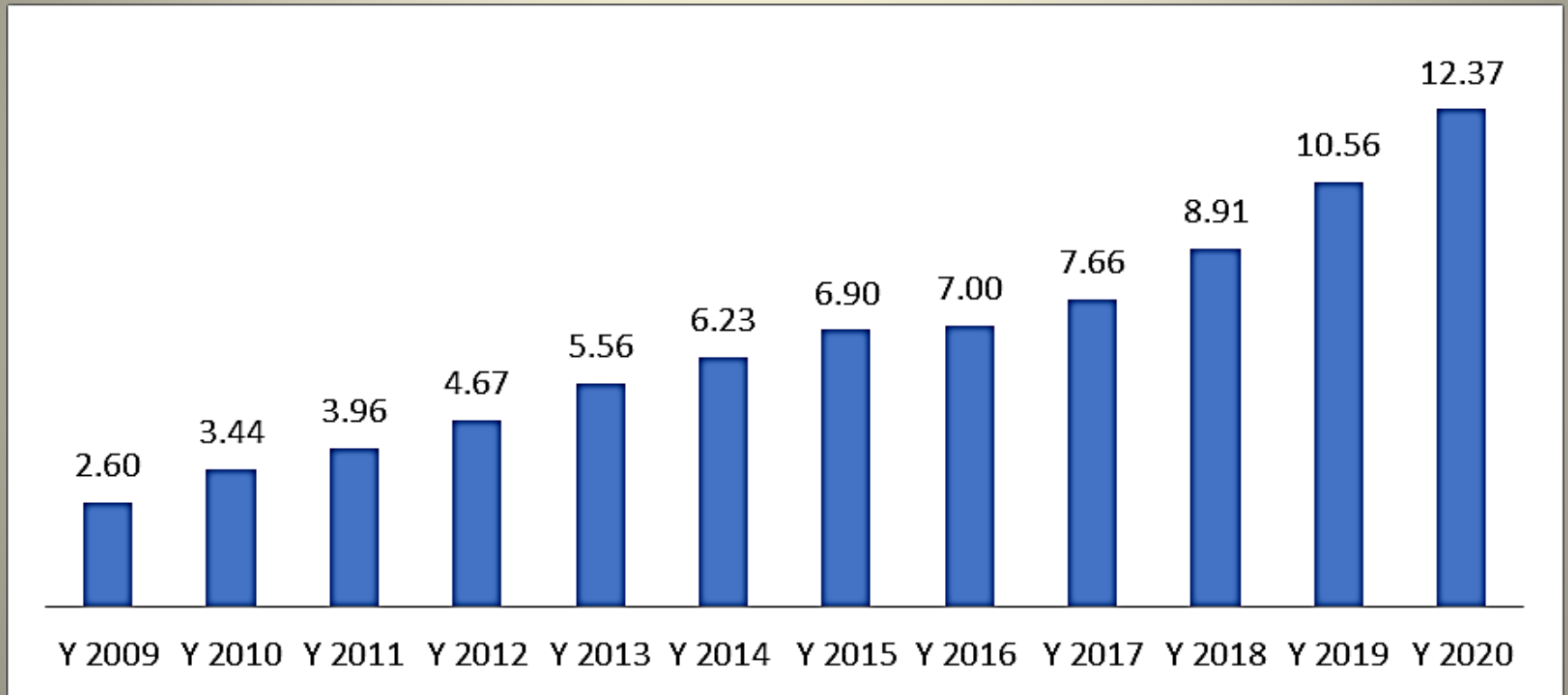
4. VN wood industry and further development

- Export-oriented & fast growth relying on 2 comparative advantages:
 - Cheap labor force (US\$ 200 – 250/month);
 - Cheap plantation wood (3 million ha of commercial acacia plantation (Kingdom of Acacia), cutting rotation 4 – 5 years + 1 million ha of rubber farms).

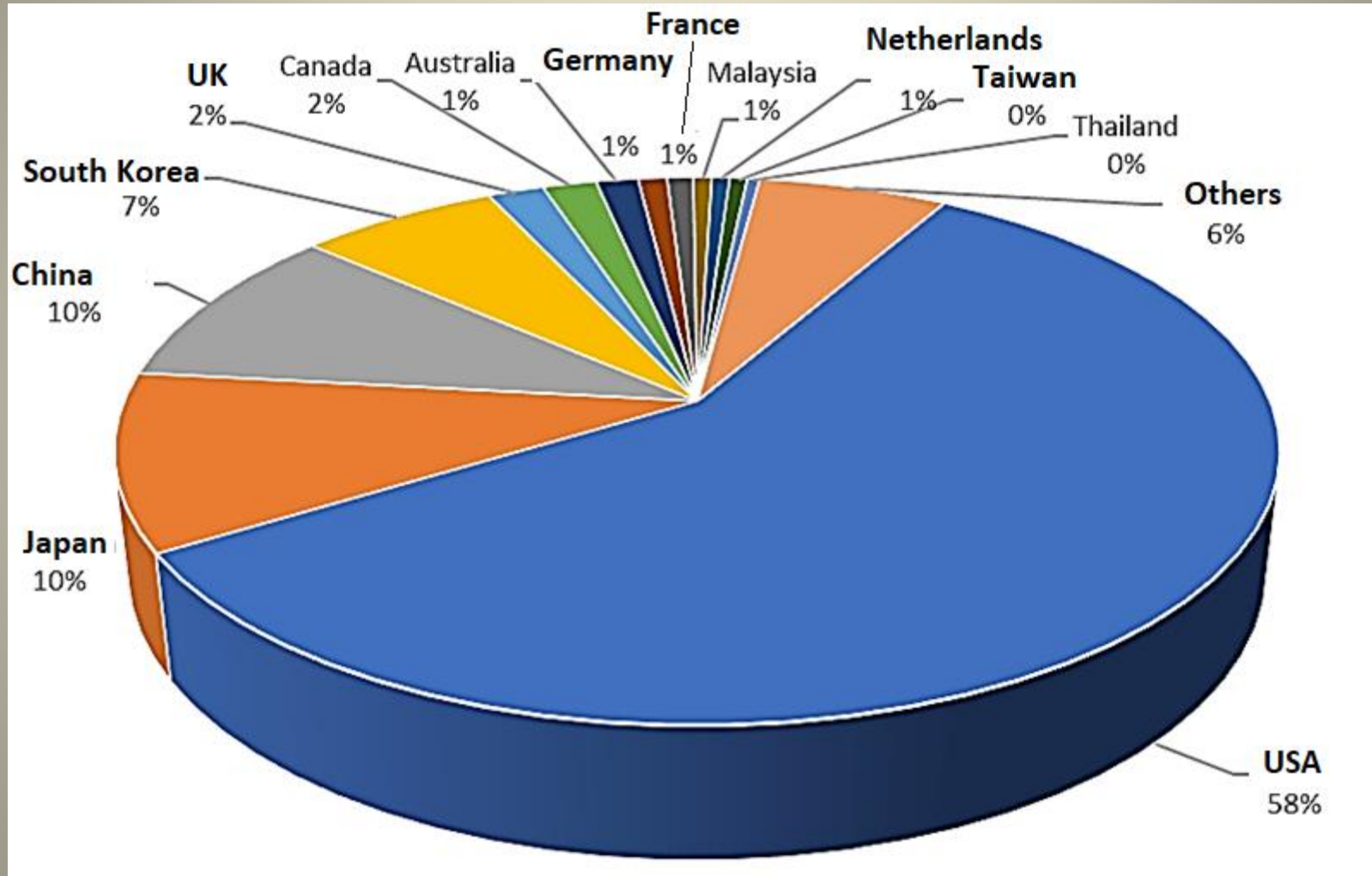
Competing by cheap inputs, rather than dumping and/or countervailing as often accused !.

- At the crossroad to change mindset: Intensive labor and raw material consuming growth or higher efficient development ?

Vietnam's WP export 2002 - 2020



WP export destinations



W&WP exports by key groups of product

Wood pellet



Export volume 3.2 million tons, valued at: US\$ 352.03 million, 15% up in quantity and 13% up in value against 2019.

Plywood



Export volume 2.09 million M3, value US\$ 719.41 million, 0.2% down against 2019

Fiber board



Export volume 111.2 thousand M3, value US\$ 45.78 million, 28% down in volume and 1 % in value against 2019

Woodchip



Export volume 11.6 million tons, value US\$ 1.48 billion, 3% down in volume and 12% down in value against 2019

Peeled veneer



Export volume 694.23 thousand M3, value US\$ 81.69 million, 94% up in volume and 51% up in value against 2019

Chair



Export value US\$ 2.67 billion, 32% up against 2019

Particle board



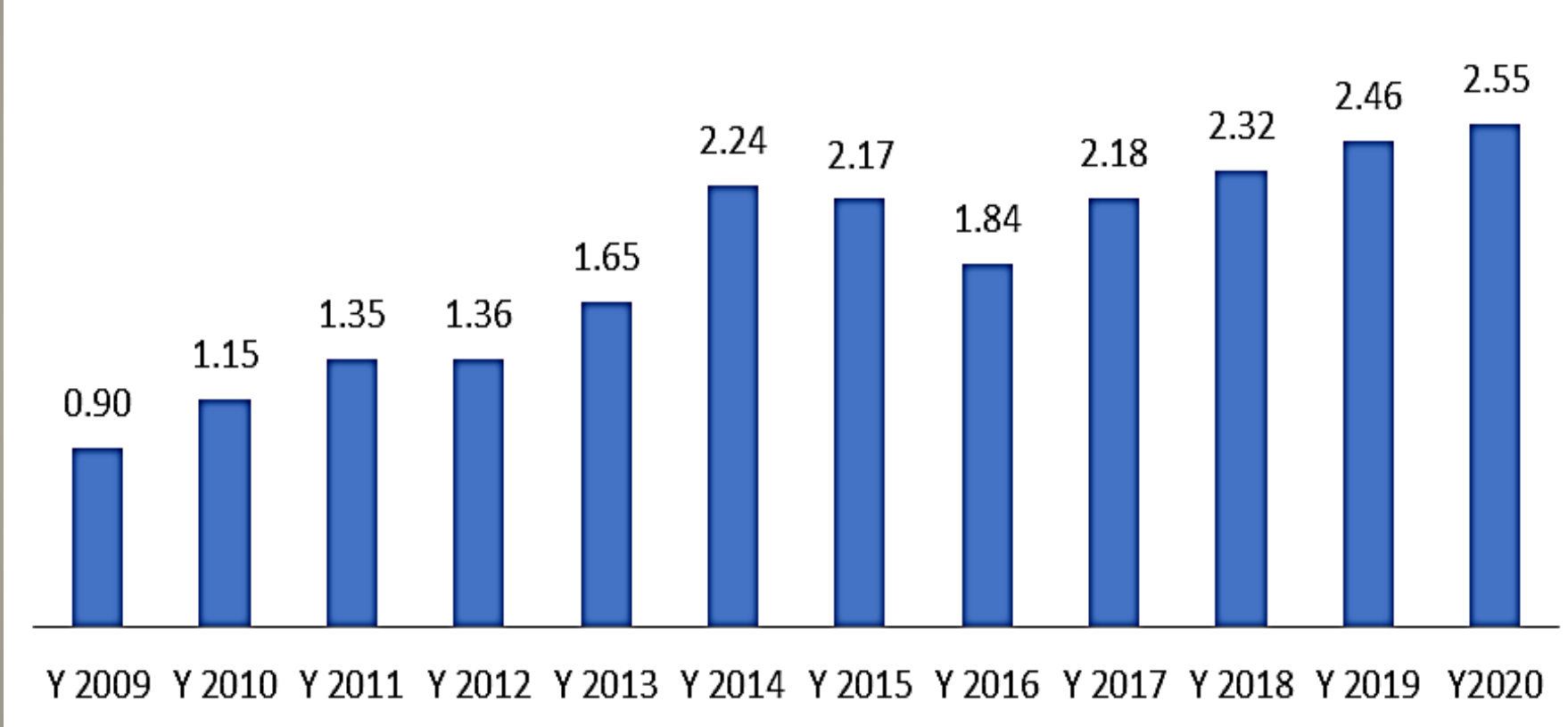
Export volume 39.7 thousand tons, value US\$ 9.5 million, 16% down against 2019

Wooden furniture



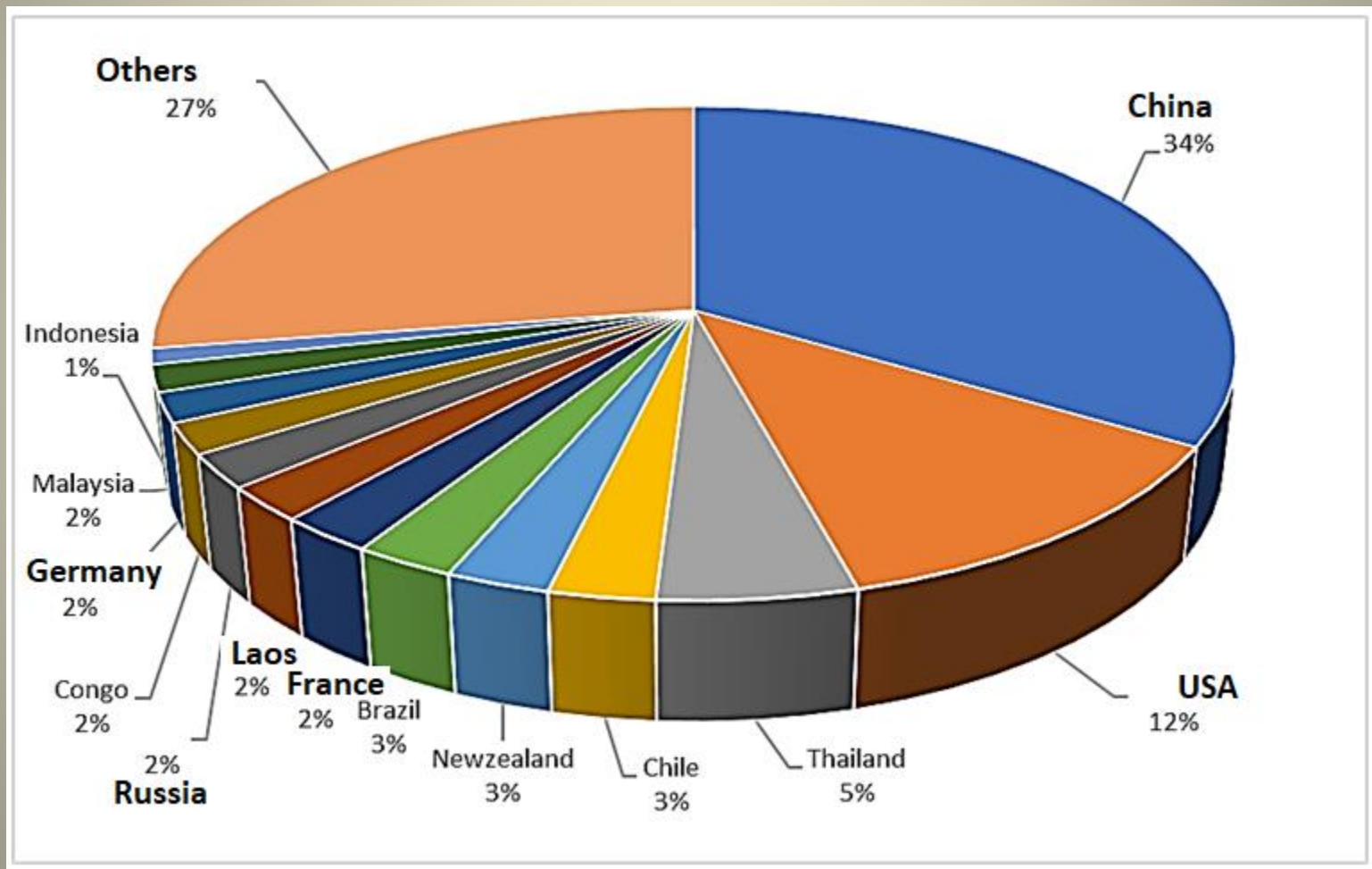
Export value US\$ 5.87 billion, 22% up against 2019

W&WP imported into Vietnam, 2009-2020










W&WP imports by markets, 2020

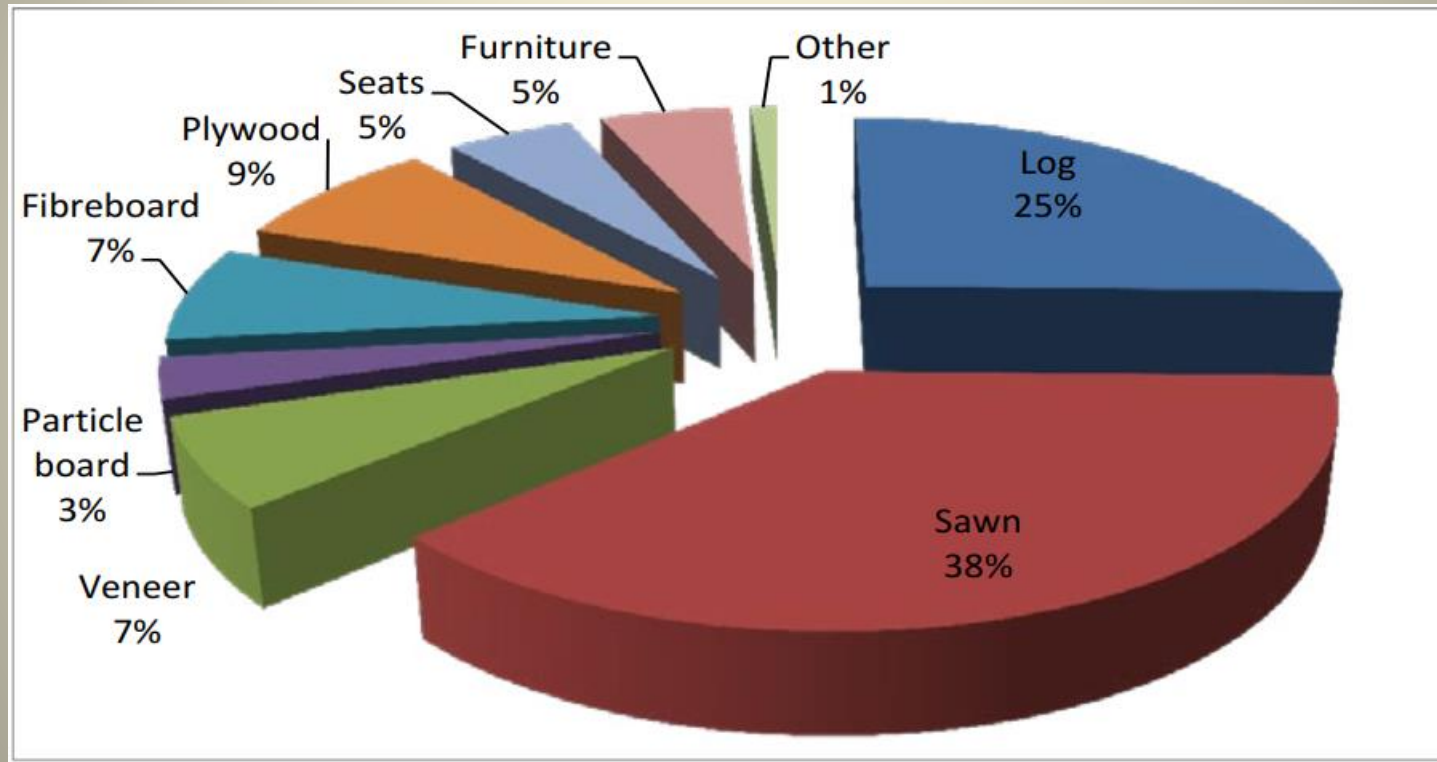
VN emerged as the second consumer of US hardwood following China



Imported W&WP

<p>Logs</p>	<p>Fiber board</p>	<p>Sawn wood</p>	<p>Particle board</p>
			
<p>Import volume 2.02 million M3, value US\$ 563 million USD, 13% down in volume and value against 2019</p>	<p>Import volume 744.67 thousand M3, 8% up in volume and 2 % up in value against 2019</p>	<p>Import volume 2.54 million M3, value US\$ 842.06 million, 9% down in volume and 1% down in value against 2019</p>	<p>Import volume 434.72 thousand M3, value US\$ 84.69 million, 16% up in volume and 7% up in value against 2019</p>
<p>Plywood</p>	<p>Veneer</p>	<p>Chair</p>	<p>Wooden furniture</p>
			
<p>Import value 604.28 thousand M3, 16% up in volume and 6% up in value against 2019</p>	<p>Import value 275.98 thousand M3, value US\$ 208.13 million, 27% up in volume and 9% up in value against 2019</p>	<p>Import value (HS 9401) US\$ 163 million, 28% up against 2019</p>	<p>Import value (HS 9403) US\$ 187.95 million, 51% up against 2019</p>

Imported W & PP



5. Timber legality - “to be or not to be” question !

Government: International commitments and law reinforcement

- VPA/FLEGT: Negotiations 2010 – 2018; ratified in 2019;
- Decree 102 to operate VNTLAS in 2020; import control re-enforced from 31 October, 2020 by (1) classification of export markets into countries of active/non-active geographic areas, and (2) tighten control of the import of risk species;
- Preparing for export licensing;
- Pro-active negotiations to control import from Laos, Cambodia; facilitating dialogues with Cameroon and other African suppliers;
- Ambitious plan of forest certification (FSC, PEFS/VFCS plans);

Private sector: Joint actions to say no to illegal timber

➤ ***Export***

- Joint commitment to say no to illegal timber;
- Strongly requesting relevant agencies to reinforce import control;
- Strict compliance with Lacey Act;
- Improving DDS practice applicable to imported timber;
- Partnerships with plantation farmers/cooperatives to avoid locally sourced illegal timber from supply chains;

➤ ***Local consumption***

- Shift to planted wood;
- Linking plantation farmers and lead companies to avoid illegal timber;
- F2F dialogues/meetings with trade partners from Africa, Laos, Cambodia to exchange TLAS.
- Change public procurement policy

Civil society: Having a stronger voice on timber legality

- Awareness raising and campaigning on timber legality;
- Monitoring and auditing the implementation of VNTLAS

6. Conclusions

- Forestry & wood industry becomes more and more environmentally sensitive and wood legality assurance becomes *“to be or not to be”* for Vietnam;
- VN’s forestry has succeeded in implementing ambitious re-forestation programs and is pursuing dynamic initiatives/processes toward SFM and legal forestry;
- VN has emerged as a global hub of wooden furniture manufacturing and trading. Representing the community of VN wood industry entrepreneurs, VIFOREST is desire to be locally committed and globally connected;
- Of great mutual benefit is the wood & wood product trade between VN and the US. VIFOREST is willing to exchange information on timber legality and support the promotion of the US wood consumption in VN;