

# Joint FLEGT Vietnam Scoping Study – Part 2 Annexes

Prepared for EFI

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This document has been produced with the financial assistance of the European Union. The views expressed herein can in no way be taken to reflect the official opinion of the European Union.

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The study was conducted on the basis of terms of reference approved by the European Commission and the Ministry of Agriculture and Rural Development of Vietnam.

The contents of this study are the sole responsibility of ProForest and can in no way be taken to reflect the views of the European Union or that of the Ministry of Agriculture and Rural Development of Vietnam.

## **FLEGT Asia Regional Programme - Supporting responsible trade for Asia's forests**

### **Background**

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

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

In November 2008, the EFI signed a contribution agreement with the EC on a "Regional Support Programme for the EU FLEGT Action Plan in Asia". The FLEGT Asia programme is part of EU FLEGT Facility and is executed by the Facility. A FLEGT Asia Regional Office (FLEGT Asia) of the EFI's EU FLEGT Facility was formally established in October 2009. FLEGT Asia seeks to collaborate and build synergies with existing regional initiatives and partners in Asia.

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

#### **1. Goal of FLEGT Asia**

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

#### **2. Strategy**

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

### **Work Programme**

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

#### **1. Information Collection**

Baseline information (trade statistics, product flows, future scenarios, stakeholder identification and engagement strategies), applied to countries in the region. Information on producers, processors, consumers, and to major consumers of exports from this region will be collected and collated. It will then be used to develop training and communication materials; to further define the nature of the capacity building to be undertaken (who are the target beneficiaries and what the training needs are) and form the baseline for monitoring the progress of the programme over the 3 years duration of the programme.

#### **2. Capacity Building**

The second phase is the strengthening of key institutions (companies, trade associations, NGOs, government agencies, customs etc.) for improved forest

governance in each country and across the region to meet the identified market needs. This will consist of training (at individual level, training of trainers, workshops, pilot studies e.g. on individual supply chains and for Timber Legality Assurance); information dissemination and communications (roadshows, seminars, communication materials, website etc).

### 3. Customs & Regional Collaboration

The work to support trade regionally, and to invest in customs capacity in accordance with market requirements will be undertaken in collaboration with other programmes in the region.

#### Approach

The three phases of the work programme represent a step-wise approach to delivering on the FLEGT Asia Regional Programme:

- a baseline of knowledge to build on for monitoring, training and communications, with a focus on those products and issues that are pertinent to the effective implementation of the EU FLEGT Action Plan in particular the VPA process.
- providing a strategic basis to move forward to ensure regional trade meets pending EU Regulation on due diligence, and other market and legislative requirements of key consumer countries.
- identifying the strengths and weakness and importantly, the gaps that will enable the activities of the programme of capacity building and communications to be targeted to achieve its goals.

#### Where we work

Building on the experiences of partnership with Southeast Asian countries in negotiating the VPA for demonstrably legal timber and timber products export to the EU, FLEGT Asia will focus on fostering relations with timber exporting countries that would have a strong impact on regional trade – principally the Mekong Countries and China.

FLEGT Asia will - as a principle - work closely with the EC Delegations in the region to provide support to the policy dialogues between the EC and the individual countries.

FLEGT Asia financed this study because it is part of phase 1. *Information Collection* activities. The Government of Vietnam and the EU have recently established a Technical Working Group (TWG) to examine options for possible collaboration, e.g. linked to the FLEGT Action Plan. In order to inform the TWG, ProForest has been asked by EFI, on behalf of the European Commission, to organize a FLEGT study tour and provide a preliminary examination of the potential options for cooperation with the following objectives:

- to provide estimates of the current situation and likely future trends (until 2020) concerning sources of raw material for Vietnam's wood products industry;
- to provide an overview of the current market situation and likely future trends (until 2020) for Vietnam's wood product exports, including changing environmental demands in those markets;
- to develop and describe the full range of options available for Vietnam's engagement in a FLEGT process;
- to assess implications for the wood products industry, the Government of Vietnam and the cooperation between the EU and Vietnam in implementing each option and

- to increase the awareness and understanding of FLEGT, specifically of Voluntary Partnership Agreements and due diligence draft regulation.

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## About ProForest

ProForest is an independent company working with natural resource management and specialising in practical approaches to sustainability.

Our work ranges from international policy development to the practical implementation of requirements on the ground, with a particular focus on turning policy into practice. Our extensive and up-to-date knowledge of the international context ensures that our work for individual companies and organisations is set within an appropriate framework. At the same time, we are able to bring a wealth of current practical experience to policy development processes and debates.

The ProForest team is international and multilingual and has a broad variety of backgrounds, ranging from industry to academia and NGOs. This allows us to work comfortably in many types of organisations, as well as in a range of cultures. We have in-house knowledge of more than 15 languages, including Mandarin, Malay, French, Spanish and Portuguese.

ProForest was set up in 2000. Our expertise covers all aspects of the natural resources sector, from forestry and agricultural commodities to conservation, supply chain management and responsible investment.

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## Table of contents

Annex 1 Terms of Reference (TOR) .....	7
Annex 2 Methodology .....	8
Annex 3 Itinerary of FLEGT Study Tour in EU .....	10
Annex 4 Summary of key discussion on informal Vietnamese FLEGT visit to the EC.....	11
Annex 5 Logbook .....	14
Annex 6 List of questions for stakeholders.....	17
Annex 7 Meeting summaries of scoping mission in Vietnam .....	19
Annex 8 Trade data of Vietnam’s timber industry.....	66

## Annex 1 Terms of Reference (TOR)

The consultant team will:

- a) Making use of available secondary data and recent reports, provide an overview of current sources of timber raw material (including volumes and values of logs and rough-sawn timber) used by Vietnam's wood manufacturing industry, and in light of national plantation establishment targets and other policies, make projections of how this is likely to change by 2020;
- b) Making use of secondary data and recent reports, provide an overview of developments in key markets for Vietnam's timber products, including the EU, the US and Japan, and comment on how environmental concerns related to timber are likely to affect these markets;
- c) Describe the full range of potential options for cooperation under a FLEGT-type arrangement between Vietnam and the EU, including possible VPA with FLEGT licensing of shipments, involving government controls, and business-to-business arrangements with limited or no government controls. This will include:
  - i. A description of the basic features of a full VPA between Vietnam and the EC which includes both controls on domestic VN timber production as well as (possible) controls on raw material imports before sending FLEGT licensed timber products to the EU;
  - ii. The use of operator-based systems by which the Vietnamese licensing authority recognises the guarantee of legality provided by a number of existing private sector schemes before sending FLEGT licensed timber products to the EU
  - iii. The promotion of tools such as due diligence requirements, the promotion of legality assurance schemes and business to business promotion without the Vietnamese Government taking on a licensing function.
- d) Assess the implications for the Vietnamese wood-processing industry of implementing the described options, including the requirements for the establishment of private sector and/or government backed control systems; and
- e) Assess the implications for the Vietnamese Government of implementing the described options, including the roles and responsibilities of different government agencies and the correspondence resource requirements

## Annex 2 Methodology

### Study tour in Europe

#### **Purpose**

A two-week study tour for 5 Vietnamese team members in Europe was conducted between 15<sup>th</sup> and 26<sup>th</sup> June 2009.

The purpose was to develop knowledge on current discussions and initiatives on forest governance and trade, especially on actions taken within the EU to tackle illegal logging. Focus was on background and recent development of the EU FLEGT Action Plan. It also aimed to help representatives of the public and private sector within the EU to gain a better understanding of Vietnamese concerns and issues related to implications of measures such as VPAs for the trade between Vietnam and EU. In addition, this resulted in the development of mutual understanding between the EU and Vietnam, and the building of a base of technical understanding on FLEGT related issues. This has proven to significantly strengthen the subsequent work of the joint scoping study carried out in August in Vietnam.

#### **Schedule**

During the two week study tour led by ProForest, a number of meetings with government departments, NGOs and industry representatives were organised for the Vietnamese to gain a better understanding of the situation in Europe. The schedule of the EU study tour can be found in Annex 4.

The team visited EC officials in Brussels to develop knowledge on the EU FLEGT Action Plan including an update on the VPA process and the proposed Due Diligence Regulation. A summary of key discussion with the EC can be found in Annex 5. The team met with the UK Timber Trade Federation (UK TTF) and B&Q to discuss the industry's approach to tackling illegal logging and associated trade. In addition, the team visited NGOs such as FERN, EIA and WWF to learn about the NGOs perspectives on FLEGT, including the importance of involvement of civil society. The team also attended the Chatham House 'Illegal logging update meeting', which provided them with wider perspectives on FLEGT issues, including the experiences from other countries. This included a brief meeting with a representative of the US Justice Department to exchange views on the consequences of the implementation of the Lacey Act.

The final part of the visit focused on preparation for the second phase of the scoping mission. This resulted in a list of organisations which are the major stakeholders in Vietnam and which formed the basis for planning for the work in Vietnam.

#### **Lesson Learnt**

The Vietnamese team members commented that the study tour was useful and successful. It allowed them to gain a greater understanding of the process of implementation of the FLEGT Action Plan and the requirement for control of legality of timber products exported to EU. Steps for control on timber legality have been recognized. The Vietnamese team members also learnt the process of negotiations on Voluntary Partnership Agreements (VPA's) between EC and timber producing countries such as Congo, Indonesia and Ghana. Being a voluntary cooperation, exchange and discussion of ideas for getting agreements should be agreed and suitable for both sides. The EU promotes and supports timber producing and processing countries in the implementation of VPA's. However, the proposed Due Diligence Regulation is

applicable to all products entering into the EU market, hence will be mandatory once it is implemented.

Furthermore the role of NGO's such as TFT, FERN and EIA as participating in the implementation of the FLEGT Action Plan has been recognized. It is understood that the EC has encouraged and supported activities of NGO. Besides that the Vietnamese team members were introduced to trade reactions to FLEGT and the increased market demand for certified timber in terms of major UK retailers such as B&Q.

## **Scoping mission in Vietnam**

### **Purpose**

- To provide estimates of the current situation and likely future trends (until 2020) concerning sources of raw material for Vietnam's wood products industry;
- To provide an overview of the current market situation and likely future trends (until 2020) for Vietnam's wood product exports, including changing environmental demands in those markets;
- To develop and describe the full range of options available for Vietnam's engagement in a FLEGT process
- To assess implications for the wood products industry, the Government of Vietnam and the cooperation between the EU and Vietnam in implementing each option

### **Schedule**

The joint scoping mission was carried out by semi-structured interviews with different stakeholders. The selection of interviewees was jointly decided during the preparation meeting in Oxford in June. Meetings were arranged and organised by MARD, also with support from Handicraft and Wood Industry Association (HAWA) during the first week in Ho Chi Minh City. The team consisted of the Vietnamese experts who participated the EU study tour, two ProForest staff and an interpreter. The set of questions used was based on generic questions relating to FLEGT followed by specific questions tailored to the individual stakeholder group. The questions were drafted by ProForest with inputs from the Vietnamese team members. MARD also sent a translated version together with a brief presentation prepared by ProForest to interviewees in advance of the meeting. The schedule and a list of questions can be found in Annex 6 and 7 respectively.

To conclude the mission, a seminar for governmental officials was organized by MARD on 21<sup>st</sup> August in Hanoi. The purpose was to further disseminate information to relevant agencies and to allow for further discussions. ProForest presented information relating to the EU FLEGT Action Plan, focussing on VPA and Due Diligence Regulation. A Vietnamese team member also presented the preliminary results of the joint scoping mission in Vietnam.

## Annex 3 Itinerary of FLEGT Study Tour in EU

**Objective:** to develop the experts understanding and knowledge of current discussions and initiatives on forest governance and trade, especially on actions taken within the EU to tackle illegal logging. This will assist the EU and Vietnam to jointly identify areas of cooperation in the context of the FLEGT Technical Working Group and will also help public and private sectors within the EU to gain a better understanding of Vietnamese concerns and issues related to illegal logging.

**Coordinated by:** ProForest on behalf of EFI. ProForest team: Joyce Lam, Andreas Knoell, Ruth Nussbaum, Moray McLeish.

Date	Location	Activity or Meeting
Mon 15 June	ProForest Oxford	Introductory meetings Meeting with James Hewitt
Tues 16 June 10am	London	DEFRA, DFID
Tues 16 June PM 2pm	London	TTF
Wed 17 June	Brussels	European Commission
Thurs 18 June	Brussels	TFT, European Parliament and WWF
Fri 19 June 11am	Oxford based	FERN, EIA
Fri 19 June 2pm		James Hewitt
Sat 20 June	Oxford based	
Sun 21 June	Oxford based	
Mon 22 June	Southampton	B&Q and TFT
Tues 23 June	London, Chatham House	Illegal Logging Updates
Wed 24 June	London, Chatham House	Illegal Logging Updates
Thurs 25 June	London/Oxford	Warp up meeting, planning for Vietnam
Fri 26 June	Oxford, ProForest	Wrap up meeting, any other business
Sat 27 June	Oxford	Depart

ProForest and the five Vietnamese experts assigned by MARD will then undertake a 2-3 week scoping study in Vietnam, starting in late July/ early August 2009. TFT will help to coordinate this work in Vietnam. Collaboration with IUCN is also foreseen.

## Annex 4 Summary of key discussion on informal Vietnamese FLEGT visit to the EC

Prepared by ProForest

### ***Participants:***

European Commission (EC): Mr Flip van Helden, Mr John Bazill, Ms Julia Falconer, Mr Philippe van Amersfoort, Mr Hugo Schally

Experts from Vietnam (VN): Mr Pham Ngoc Mau, Mr Do Dinh Sam, Mr Tran Huu Thanh, Mr Vu Thanh Nam

ProForest (PF): Ms Joyce Lam, Mr Andreas Knoell, Ms Solène le Doze

### ***Key discussion points***

VN: It was commented that the forest and timber product industry is important for Vietnam, and that the European market has become more important than the US market because of the economic recession. Although more than 150 manufacturing companies have chain of custody certification (FSC) in Vietnam, there is a concern about the numerous large and small enterprises (especially in the South near HCM city) which import large quantities of timber from abroad and do not pay enough attention on the legal origin of this timber (80% of the timber processed in Vietnam is imported). 300.000 m<sup>3</sup> are domestic production, mainly fast growing eucalyptus and acacia plantations. The timber processing industry does not have a good understanding of the EU FLEGT Action Plan, including the Due Diligence regulation.

Further, a lot of households are involved in timber harvesting and it is difficult to communicate with them and to manage them. E.g. within community forestry no harvesting permit for these households is required. Technical and financial support is needed to engage with different groups of stakeholders (trade, NGOs, scattered small companies, etc.). Support is also needed to increase the understanding of the structure of the timber sector in Vietnam (importers, producers, manufacturers, their drivers and their dynamics). There are also different requirements for different markets (Lacey Act in the USA, EU, Japan, requirements from big players of the private sector such as IKEA) and it is difficult to get a good understanding of their similarities and differences. Some information on this would be helpful.

EC: Technical and financial assistance is part of the process for bilateral cooperation, e.g. any VPA Partner Country will receive support for the implementation of their Timber Legality Assurance System (TLAS). However, this support requires commitment from the Partner Country to work together.

PF: How about transparency of VPA? Are documents publicly available?

EC: Once the ratification process of a VPA is concluded and the agreement is officially signed, the agreement and all the annexes will be published

VN: Is there a guarantee that signing a VPA will give Vietnamese wood products an advantage on the EU market?

EC: There is an increase in green timber procurement policies (both for the public and private sector) in the EU as well as plans for marketing activities to promote FLEGT licensed timber on the EU market. FLEGT licenses will be a straight forward way of importing wood products in the EU and also will benefit from a good reputation therefore encouraging the demand.

PF: Who will pay for monitoring of TLAS?

EC: It is expected that for the first few years the EU will pay for the monitoring costs for the 3 African countries which signed the VPA. However, in the long term it is expected that the government of the VPA partner country will be able to cover the costs.

VN: What are the main difficulties in VPA negotiations as experienced by now?

EC: One of the key issues is the process for defining legal principles in cases where those are not clearly described or absent in existing regulation of a VPA partner country. For example, tenure rights of local and indigenous people are not reflected in existing legislation in some countries. The stakeholder consultation process provides a platform to discuss these issues. One possible outcome can be that VPA partner countries identify areas of legislation to be reformed. This is the case for the three African VPA partner countries. In the case of Congo Brazzaville, the type of evidence to demonstrate compliance of social requirements is lacking, the stakeholders agreed to work on this to provide guidance.

In term of implementation, many details have not been fully developed yet. All countries differ in terms of key players and capacity for implementation. For example, Congo Brazzaville did not opt for two systems to segregate timber for domestic use from timber for export markets. For transit timber it is likely that difficulties relating to traceability will be experienced in the implementation stage.

VN: Do Vietnamese companies need to ask for FLEGT license when they purchase timber from VPA Partner Country? Is the FLEGT licensed timber being exported to Vietnam and re-exported to EU acceptable?

EC: FLEGT licensed timber is targeted for the EU market, but products sent to other non-EU countries may also come with the license if the exporting country decides to use FLEGT for all its exports. It may be up to the market (private sector) to ask for such evidence. It may also be dealt at government level, for example, the government of Vietnam and the government of Congo Brazzaville can discuss and decide whether they would like to establish a similar approach as the EU with the VPA partner countries. If Vietnam establishes a licensing authority, has an agreement with another VPA Partner Country, and has a robust CoC system in place, then probably the re-exported timber will be acceptable on the EU market.

VN: Raw materials used for products for the domestic market may be different from those aiming for the overseas market. What does the coverage of the VPA look like?

EC: Some All three African countries which have signed VPAs, have one system which applies to both domestic and overseas markets. Other countries plan to establish a system specific for exports to the EU only, e.g. Malaysia. The Vietnamese team has to think about this in the scoping study.

VN: How can Vietnamese companies provide evidence of legality for imported timber?

EC: Cameroon handles significant volumes of transit timber from the neighbouring countries such as Central African Republic and Congo. The government has decided to do two things:

1. Tracking of imported wood throughout the whole supply chain, from import, processing to export.
2. Legal obligation for processing mills if they source materials from overseas. They have to provide evidence that wood is harvested legally following the laws of the third country. The government accepts FLEGT licensed timber and certified timber as a proof of compliance. The government of Cameroon will decide with the neighbouring countries which private schemes of legality verification are acceptable.

EC: We heard that Vietnam has signed an agreement with Laos on timber.

VN: No, but Vietnam signed agreements with neighbouring countries such as China and Cambodia, but not just on timber, these agreements also cover other areas such as agricultural commodities.

VN: What's the relationship between VPA and Due Diligence?

EC: Not all processing or producing countries exporting timber to the EU are interested in FLEGT. This risks FLEGT timber being undercut by timber from cheaper illegal sources. Hence additional legislative options are required to ensure that timber entering into the EU market comes from legal sources. The Due Diligence Regulation applies to all companies which first place timber on the EU market. Under the Due Diligence Regulation FLEGT licensed timber will be accepted as a proof of legality.

## Annex 5 Logbook

Date	Team member	Stakeholder/Activity	Location	Contact
09.08.09	AK, DDS, JL, LQT, THT	Travel to HCMC	HCMC	
10.08.09, AM	AK, DDS, JL, LQT, THT	Truong Thanh Furniture Corporation	HCMC	Mr Vo Truong Thanh Ms Ngo Thi Hong Thu
10.08.09, PM	AK, DDS, JL, LQT, THT	Hiep Long Ltd	Binh Duong	Mr Huynh Quang Thanh
11.08.09, AM	AK, DDS, JL, LQT, THT	Thanh Hoa Ltd	HCMC	Mr Le Tan Thao
11.08.09, PM	AK, DDS, JL, LQT, THT	Tran Duc Group		Mr John Giang Tran Ms Le Van Hai
11.08.09, PM	AK, JL, LQT, THT	TFT Vietnam	HCMC	Dr Ho Van Cu
12.08.09, AM	AK, DDS, JL, LQT, THT	Duc Nhan	HCMC	Mr Tran Xuan Quang
12.08.09, PM	AK, DDS, JL, LQT, THT	Dang Long	HCMC	Mr Dang Van Long
13.08.09, AM	AK, DDS, JL, LQT, THT	Handicraft and Wood Industry Association (HAWA)	HCMC	Mr Tran Quoc Manh Mr Nguyen Van Vy Mr Eberhard Goetz
13.08.09, PM	AK, DDS, JL, LQT, THT	International Furniture Corporation	HCMC	Mr Tong Huy Hoang
14.08.09, AM	AK, DDS, JL, LQT, THT	SGS Vietnam	HCMC	Mr Le Anh Ngoc Ms Nguyen Thi Kieu Hanh
14.08.09, PM	AK, DDS, JL, LQT, THT	Team meeting	HCMC	
14.08.09, PM	DDS, THT	Travel to Hanoi		
15.08.09	AK, JL	Travel to Hanoi		
16.08.09	AK, DDS, JL, LQT, THT	Break	Hanoi	
17.08.09,	AK, JL, LQT, PNM	Team meeting	Hanoi	

Date	Team member	Stakeholder/Activity	Location	Contact
AM				
17.08.09, PM	AK, DDS, JL, LQT, PNM, VTN	MARD - Department of Forestry	Hanoi	Ms Pham Minh Thoa
17.08.09, PM	AK, DDS, JL, LQT, PNM, VTN	MARD - International Cooperation Department	Hanoi	Mr To Viet Chau
18.08.09, AM	AK, DDS, JL, LQT, PNM,THT	MARD - Department of Processing and Trade for Agro-Forestry-Fisheries Products and Salt Production	Hanoi	Mr Nam Mr Thanh
18.08.09, AM	AK, DDS, JL, LQT, PNM	MARD - International Cooperation Department	Hanoi	Mr Tran Kim Long
18.08.09, PM	AK, DDS, JL, LQT, PNM	MARD - Legal Department	Hanoi	Ms Nguyen Thi Kim Anh
18.08.09, PM	AK, DDS, JL, LQT, PNM	WWF Vietnam	Hanoi	Dr Le Khac Coi
19.08.09 AM	AK, DDS, JL, LQT, PNM	Ministry of Finance - Customs Department	Hanoi	Mr Duong Van Tam
19.08.09 AM	AK, DDS, JL, LQT, PNM	IUCN Vietnam	Hanoi	Mr Jake Brunner
19.08.09 PM	AK, DDS, JL, LQT, PNM	Ministry of Industry and Trade	Hanoi	Prof Dr Le Danh Vinh, diverse
20.08.09 AM	AK, DDS, JL, LQT, PNM	VIFORES	Hanoi	Dr Nguyen Ton Quyen Mr Ngo Sy Hoai
20.08.09 PM	AK, DDS, JL, LQT, PNM	MARD - Forest Protection Department	Hanoi	Ms Thi Tungh Nga
20.08.09 PM	AK, DDS, JL, LQT, PNM	GTZ	Hanoi	Mr Heiko Woerner Dr Helmut Dotzauer
21.08.09 AM	AK, DDS, JL, LQT, PNM,THT, VTN	MARD - FLEGT Workshop	Hanoi	Dr Pham Ngoc Mau
21.08.09 PM	AK, DDS, JL, LQT, PNM	Vietnam Chambers of Commerce (VCCI)	Hanoi	Ms Tran Thi Thu Huong
21.08.09 PM	AK, DDS, JL, LQT, PNM	EC Delegation	Hanoi	Mr Hoang Thanh Mr Robert Hynderick de Theulegoet

Date	Team member	Stakeholder/Activity	Location	Contact
22.08.09 AM	AK, DDS, JL, LQT, PNM,THT, VTN	Team meeting	Hanoi	
22.08.09 PM	AK, JL	Departure Hanoi	Hanoi	

Members of joint expert team:

MARD: Dr Pham Ngoc Mau [PNM], Mr Tran Huu Thanh [THT], Mr Vu Thanh Nam [VTN]

External consultant: Dr Do Dinh Sam [DDS]

ProForest: Mr Andreas Knoell [AK], Ms Joyce Lam [JL]

Translator: Mr Le Quang Trung [LQT]

## Annex 6 List of questions for stakeholders

### Generic questions (which are suitable for different types of stakeholders)

- Have you heard of EU Forest Law Enforcement Governance and Trade (FLEGT) Action Plan? If so, what is your level of understanding on EU FLEGT Action Plan?
- Is the level of awareness raised of FLEGT Action Plan among government, industry and NGO sufficient? If not, what needs to be done?
- Since Vietnam imports about 80% of its timber supply from overseas countries such as Laos, Burma, Malaysia and Indonesia, it is important that there are some kinds of control of legality of timber coming from these countries.
  - Do you think there are possibilities to develop bilateral cooperation/ agreements with these neighbouring countries to address illegal logging?
  - Do you think it's more appropriate to rely on private sector initiatives such as forest certification?
  - Or government of Vietnam creates domestic regulations that require the industry to demonstrate the legality of all timber being exported to the EU?
- What are the difficulties in implementing SFM in Vietnam?
- Do you think it is the right time for Vietnam to cooperate with EU on FLEGT?
- What are the prioritised actions to participate in FLEGT?
- Do you have specific expectations, fears or concerns related to FLEGT?

### Specific questions for Government

- In terms of potential collaboration with the EU on FLEGT, do you want to focus on export market? Or do you want to focus on both export and domestic markets?
- Do you want to address the issue of imported timber only? Or do you also want to strengthen forest law enforcement in Vietnam?
- Question for custom department: What are the procedures for importing timber? What are the procedures for exporting timber products?
- Question for forestry department: What are the requirements for harvesting in different forest area categories? What documents are required to demonstrate legality? Which authorities are involved?
- Question for forestry department: Do plantation production figures meet expectations? If not, where are the problems?
- Which areas/regions are most prone to illegal harvesting activities?
- Is there are high level of confidence that timber imported is from legal sources and what is the supportive verification documentation?

### **Specific questions for Industry:**

- Have requirements for demonstrated legality of timber products in export markets (e.g. Lacey Act in USA and the proposed Due Diligence Regulations in EU) put pressure on your timber sourcing?
- What do you think of these requirements?
- What do you do to meet these requirements?
- Which procedures and documents would be suitable to provide the required verified information?
- Do you face any difficulties in sourcing and proving that your timber comes from legal sources?
- Are you aware of forest certification and legality verification? If so, do you intend to achieve any of these?
- Do you need any support (technical and financial) in meeting legality or sustainability standards?
- What do you think if the government create domestic regulations that require the industry to demonstrate the legality of all timber being exported to the EU?
- Question for industry association: Do you think your members are aware of the legality requirements (Lacey Act, proposed Due Diligence Regulation)?
- Question for industry association: What is the best way to help your members to understand and meet these requirements?

### **Specific questions for NGO:**

- Do you have any projects/ programmes on FLEGT?
- Do you think if there is an issue on forest law enforcement in Vietnam?
- What's your relationship with the government?
- What do you think is/are the best way(s) to tackle illegal logging (both domestic production and imported timber)?
- What are your ideas on participatory processes such as stakeholder consultations? What would make such a process successful?

## Annex 7 Meeting summaries of scoping mission in Vietnam

### 1. Truong Thanh

Date	10 <sup>th</sup> August 2009
Organisation	Truong Thanh Wood Processing JSC
Name	Mr Vo Truong Thanh
Job Title	General Director, Chairman
Name	Ms Ngo Hong Thu
Job Title	General Director, Director Board Member

### Key findings

Questions asked by interviewee	Who owns the FLEGT process? Which time frame will the industry have to adjust?
Perception on FLEGT/concerns	Generally supportive, would like to see government starting process expect to be well prepared due to certification experience, however, confusing terminology of FLEGT & certification
Useful support required	Generally more information in Vietnamese, especially BN 8 HAWA to host seminar for members (supposed to cover >70% of all industry players) Share experiences of other VPA Partner Countries
Team follow-up	Send EU-FLEGT briefing notes 1-7 & Lacey Act publication by Forest Trends in Vietnamese

### Discussion

#### Company overview

Ms Ngo gave an overview of the company. Truong Thanh was established in 1993, it is a manufacturer of wooden furniture (both indoor and outdoor) and flooring. It has 7 factories, 5 of them are FSC CoC certified. They achieved their first FSC CoC certification in 2002. They are one of the top 5 enterprises in the timber industry. The company is located in the Binh Duong province close to HCMC, where more than 50% in volume of the total Vietnamese furniture production is manufactured. The company has an annual product input of 80.000

m<sup>3</sup>, of which 45% is indoor furniture, 45% is outdoor furniture and 10% is flooring. It is also said that 60% of produced products is sold to EU's market, 20% is sold to USA, 10% is sold to Japan and the remaining portion is sold to other countries. Ms Ngo could not offer any figure for sold furniture products.

### **Timber sourcing**

In term of sourcing, they buy teak, oak, ash, pine, birch and acacia for indoor furniture. Teak is sourced in Brazil and Costa Rica, acacia is sourced from plantation in Vietnam. The rest of the species are sourced from US and Germany. For outdoor furniture, they source teak, eucalyptus from Brazil and South Africa, yellow balau, manni, keruing from natural forests in Vietnam. Teak and eucalyptus accounted for 80% of sourcing for outdoor furniture. At the moment, 75% of their timber source comes from Germany, America, South Africa, Uruguay, Costa Rica, the remaining 25% is sourced from Vietnam. They planned to increase its local source to 50% in the near future. They acquired 100,000 ha of acacia plantation forests and intend to get this area FSC certified. Additionally the company intends to plant 2-5.000 ha annually.

They estimated that about 50% of timber they purchased were FSC certified (acacia, eucalyptus). They believe that this figure will be lower in 2009 because they manufacture more indoor furniture for the US market, which currently not many customers ask for FSC certified products.

The company demonstrated good knowledge about verification measures of legality in the natural forest in Vietnam, such as hammer marking system for natural forest resources, composition of control committees and required transport documentation.

### **Responsible sourcing and FSC**

Truong Thanh has developed their timber sourcing policy since 2002, and is a member of VFTN. The VFTN policy requires that all timber sourced must be from a known licensed source (KLS) as a minimum. They do not source from Cambodia because of its difficulty to prove the timber is from a legal source. They follow GFTN guidance in checking whether timber is from legal source.

There are mainly three reasons why Truong Thanh has achieved FSC CoC certification:

- Customers' requirements – at that time there were not many companies which could sell their products directly to customers without going through agents, but Truong Thanh was one of those - so they got information/ request directly from customers.
- Secondly, they believe that it is a sustainable business if they purchase timber from well-managed forests. Many companies usually focus on short term profit, but they know that there would be long term profit and benefits though in the short term there were increased costs.
- Thirdly, they are publicly listed companies and so have to be responsible.

It took Truong Thanh two years to get certified, and they think that it will take the majority of the timber sector about 5 years to understand the issues of responsible sourcing and to get certified.

### **Difficulties in legal sourcing/ FSC for VN industry**

As reason why not more companies follow their example to get certified it was stated that a lot of companies do not see the long term benefits. Some FSC certified companies failed to maintain their certificate, this sent a negative signal to the industry. Also, some companies do not see the benefits of joining VFTN. VFTN started in 2003 but at the moment there are only 9 members. VFTN promoted that they would create market link for members. In the beginning the company made some deals with Carrefour (also FTN member) but Carrefour did not want to buy the certified products because of a higher price. VFTN website is also not updated, they tried to contact companies based on the information in the database but very few of them responded. Some companies also changed their production from outdoor to indoor furniture, where species used in indoor furniture are usually considered being lower risk and the customers are less sensitive than with outdoor furniture.

Mr Vo, who is the chairman of Binh Duong Furniture Association, tried to promote responsible timber sourcing to other members, including several FDI (Foreign Direct Investment) companies who are also among the top 5 enterprises in Vietnam timber industry. These FDI companies are from Malaysia, China, Japan, Taiwan etc. Apart from companies who have sensitive market to environmental issues such as Scancom, others are not interested in legality/ sustainability issues. This is because they have established their own markets which are stable and do not request timber from legal or sustainable sources.

### **FLEGT**

They have some knowledge about FLEGT as they attended workshops organised by MARD, HAWA. They commented that it's only from last year or so, Vietnam timber industry started to pay attention to FLEGT or Lacey Act. Only a small number of companies attended workshops organised by MARD and 20 companies participated in workshop of FLEGT organized by VIFORES in July, 2009. Those attended have better understanding, but those who didn't attend, only heard about the term but do not know much about the details. In order to increase awareness and understanding of FLEGT, they suggested:

- Organise talks, and discussion with HAWA (Handicraft and Wood Industry Association) about FLEGT, as its members represent more than 70% of total wood productions in Vietnam;
- Develop publications to provide information on FLEGT, to help companies understand the concepts and the implications. This kind of information includes general information of FLEGT, and timeline, process, and example of the lesson learnt from countries who have signed VPA. To organize the training courses of workshops of FLEGT, VPA and Due Diligence for companies, which are interested in.
- FSC and WWF should try to make impacts on buyers on sourcing legal and sustainable timber, but there is no legal requirement on that?
- There is no third party or independence organization in Vietnam that can be accountable for verification of timber of Vietnam's wood processing companies.

They do not think that it would be an issue for them to meet the requirements of Lacey Act and Due Diligence Regulation, as their sources are either legal or certified.

They think that it is a good idea if the Vietnam government would introduce measures that require companies to show that their timber is of legal origin. They will have competitive advantage and will increase the equality of the wood processing industry since illegal wood is cheaper.

They are keen to see Vietnamese government to work with the EC to tackle illegal logging. It will create an environment for companies to buy only legal timber and hence maintain long term production and sustainability of forests.

Concern: The company is worried that the practices of different laws between different countries (Lacey Act of USA or Due Diligence of EU) will create complicated environment for the producers

There is also concern about competition of material and collapse of wood processing companies. As Mr. Truong Thanh has pointed out that the increase of a number of companies obtained certification of FSC have lead to a strong competition of material and increase in price of material. As a result, some companies failed to compete.

## **2. Hiep Long**

Date	10 <sup>th</sup> August 2009
Organisation	Hiep Long Fine Furniture Company
Name	Mr Huynh Quang Thanh
Job Title	General Director

### **Key findings**

Questions asked by interviewee	<p>Why did USA not ask VN before introducing new regulations which affects VN companies?</p> <p>Which time frame will the industry have to adjust?</p> <p>In case a VPA should be signed between VN and EU, what about other producing/processing countries outside FLEGT? Will there be a comparative market access disadvantage for VN companies?</p> <p>What is the difference between FLEGT, LA &amp; DDR?</p>
Perception on FLEGT/concerns	<p>Not heard about FLEGT before</p> <p>FLEGT idea is very good, suitable time to get started</p> <p>Afraid of too many different requirements pertaining to legal compliance imposed by different markets</p> <p>Afraid that VPA will lead to reduced sourcing potential, since some countries can/will not be able to comply with some specific</p>

	requirements
Useful support required	Training courses on FLEGT would be helpful
Team follow-up	Sent EU-FLEGT briefing notes 1-7 & Lacey Act publication by Forest Trends in Vietnamese

## Discussion

### Company overview

Mr Huynh said that Hiep Long was established in 1993 as a family business. The export markets are US and Europe. Its maximum production capacity is 20 containers per month, normal production is 15-18 containers per month. Material requirement for this production is 4,000 – 5,000 cubic metres of RWE. SGS-CoC-003972, certified since 2007.

### Timber sourcing and FSC

Teak is the only species Hiep Long buys. It sources FSC certified teak from Brazil and Costa Rica. Uncertified teak from plantation forests in Togo and Ghana. In some special occasions, it buys teak from Burma via a state agency, which is used in products for Japanese market. Burmese teak is of best quality and comes with darker colour compared to plantation teak.

Hiep Long get FSC CoC certified mainly because of customers' demand. Mr Huynh said they can get 5-10% premium on certified products. The team asked why there are not many companies get certified in Vietnam as there are price premium for certified products. He commented that some companies do not have the management system/ technical skill to implement and maintain CoC system. Some companies also do not have production capacity to maintain certain volume of certified raw materials. In his opinion, he thinks it takes about 2 years for company to set up management system for CoC certification.

In terms of documentation verifying legality of imported timber the certificate of origin by respective government authorities is deemed to be adequate.

### FLEGT

Mr Huynh said that he has not heard about FLEGT before, and only heard about Due Diligence Regulation but does not know the details. He suggested to organise training course for companies to increase their knowledge and understanding on FLEGT, FSC etc. Also, the wood processing companies want to have a website that can provide updated information of regulations and laws of international markets as well as answer their questions.

He commented that before introducing new laws/regulations, a country should talk to the trading partner (i.e. Vietnam). He said that Vietnamese producers do not want to get into trouble of their wood sourcing, and do not want to be investigated on the legality of their timber sources. He said that it would be useful if the EC can provide information ASAP regarding the Due Diligence Regulation.

He said that there are too many regulations/ requirements which make the production very complicated as the industry tries to meet all these different requirements. He also worries

about the new regulations will impose additional requirements which will be confusing for producers.

If the Vietnamese government introduces measures that require companies to demonstrate legality of timber, he believes that his company will be able to comply with the requirement. It also will increase the transparency of the industry.

He believes that it is a suitable time for Vietnam to work with the EU to tackle illegal logging. His company has already paid attention to the issues of illegal logging and he would like to see that there is long term supply of wood.

Mr Huynh commented that the requirements of Lacey Act are stricter than FLEGT.

He also asked what is the situation of other countries like China, the Philippines and Indonesia related to FLEGT. The team explained that Indonesia has been negotiating with the EU on VPA, China has just started to work with the EU on FLEG, and that the Philippines had not expressed interest so far. VPA is a voluntary measure, so it is up to the country if it wants to cooperate with the EU. Once the VPA is signed, it is legally binding. Some people commented that there is a 'leakage' as not every country will have VPA with the EU. The EU hence introduces the Due Diligence regulation to ensure that timber products entering into the EU are legal. It will accept VPA licensed timber, other countries without a VPA have to provide evidence that the timber is from legal source.

BN 8 was explained in detail and will be sent as soon as available.

### 3. Thanh Hoa

Date	11 <sup>th</sup> August 2009
Organisation	Thanh Hoa Co., Ltd
Name	Le Tan Thao
Job Title	General Manager
Name	Nguyen Thanh Son
Job Title	Business Manager

#### Key findings

Questions asked by interviewees	<p>What is the time line for FLEGT agreement?</p> <p>What is the treatment of foreign subcontractors?</p> <p>What will be the impact on trade relations to non-VPA partner countries?</p> <p>What is the difference between Lacey Act and Due Diligence Regulation?</p>
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Perception/ concern on FLEGT	<p>The company is aware of FLEGT, they have heard about Due Diligence Regulation but do not know the details.</p> <p>Concern about limited supply of timber if the timber sourcing countries do not meet Vietnamese requirements on legality</p> <p>It is the right time to start engage/ discuss FLEGT</p> <p>Slow transition period for the industry to prepare and adjust the new requirements.</p>
Useful support required	More publications on FLEGT in Vietnamese available for the industry.
Team follow-up	Send FLEGT briefing notes and Lacey Act publication

## Discussion

### Company overview

Thanh Hoa is a trader which imports logs and lumber from various countries including South Africa, South America, PNG, Solomon Islands, Chile, Ghana and Togo. Thanh Hoa was established in 1993. Company certificate SGS-CoC-1473

### Timber sourcing

Species included teak, eucalyptus and acacia, which are sold to manufacturers of outdoor furniture in Vietnam. They purchase approximately 150,000 cubic metres of RWE per year. In which 85% of these are FSC certified, including teak and eucalyptus. The remaining 15% are from legal sources, including some acacia from plantations in Vietnam.

They have signed an agreement to support small holders to get certification on an acacia plantation in Da Nang, which is a group certification project founded by SNV. They expect to source around 10.000 m<sup>3</sup> annually from there until 2011.

Thanh Hoa has staff stationed in various countries for maximum 3 months to ensure that timber they bought meet their requirements, including checking relevant documentations. For example, they would ask for documents to prove harvesting rights of the forest, or the ownership of the forests. They are aware that different countries have different rules and requirements for legality so sometimes it is not easy to verify legality.

### FLEGT

Thanh Hoa staff are aware of FLEGT issues, they attended a workshop on FLEGT which was organised by MARD and funded by IUCN one year ago. They also heard about the Due Diligence Regulation, though they do not know the details. They would like to see more publications on FLEGT available for the industry. BN were not known.

They know about the requirements of Lacey Act, some of their customers asked for documents to show the forest location. But sometimes they buy from traders so even themselves they do not know the forest origin. Also, as a trader, they cannot always be

transparent about their suppliers. They are not sure what to do, and commented that the Due Diligence may have the same requirements which will subsequently affect their business to the EU market.

They worried about the limited supply of timber if the Vietnamese government engages in FLEGT process and that timber from some countries may not be acceptable by the Vietnamese government as legal. Since they source from a number of countries and at the moment there are only 2 countries which have concluded the VPA. This will have a big implication on their sourcing. Hence they are in favour of the market initiative to demonstrate legality because

- □ They are already sourcing FSC certified timber.
- □ They will be affected, if the government of Vietnam does not have agreement with timber exporting countries (such as those countries they source their timber)

They believed that it is the right time for the Vietnamese government to start engaging/ discussing with the EC on FLEGT, but not the right time to sign or conclude an agreement. It was commented there should be a slow transition period for the industry to prepare and adjust the new requirements of FLEGT. If the implementation period is too short or happen too fast, the industry may face problems in complying with the requirements.

#### **4. Tran Duc Group**

Date	11 <sup>th</sup> August 2009
Organisation	Tran Duc Group
Name	John Giang Tran
Job Title	Sales Director
Name	Ms Nguyen Thi Than
Job Title	Chain of Custody Manager

#### **Key findings**

Questions asked by interviewees	<p>What is the time line for FLEGT agreement?</p> <p>Why is there not the same pressure on indoor furniture as it is on outdoor furniture?</p> <p>What about other species? [potentially LKS-AK]</p>
Perception/ concern on FLEGT	<p>They are aware of FLEGT, though do not know the detailed requirements.</p> <p>They are concerned about the reduced competitiveness of Vietnamese timber industry, if other countries can still export to the EU without</p>

	<p>making effort to demonstrate legality.</p> <p>They would like to see some kind of control on the import of timber into Vietnam, in term of options of verifying legality of imported timber.</p>
Useful support required	Publications about FLEGT in Vietnamese would be useful to raise the awareness.
Team follow-up	Send FLEGT briefing note and Lacey Act publication in Vietnamese.

## Discussion

### Company overview

Tran Duc Group is a manufacturer of indoor and outdoor furniture, it was established in 2001. They received FSC CoC certification in 2003, they joined TFT in 2004, and they also became WWF VFTN member since 2008. They employ 2,800 people but due to economic recession they planned to cut down the employee number to low 2,000. Their production capacity is 200 containers and 80 containers per month for outdoor and indoor furniture respectively. Their customers include a number of large retailers in Europe, US, Australia and Canada such as B&Q, Tesco, Home Depot and Myer.

### Timber sourcing

Tran Duc mainly buys eucalyptus, acacia and teak for its outdoor furniture. Sourcing countries include Malaysia, Paraguay, Vietnam and Costa Rica. For indoor furniture, they use American hardwood such as ash and oak, and also pine from New Zealand. Eucalyptus, acacia and teak are from FSC certified forests, which balau and kapur are from forests working with TFT - hence are from legal sources.

They also have 1000 ha of acacia plantation which is working toward FSC certification. They expected to get FSC certified by end of 2009.

### FLEGT

They believed that they have no issue to comply with FLEGT requirements since all of their timber are either from legal or sustainable sources. Even though they are aware of FLEGT, they do not know the detailed requirements. They also are not aware of the FLEGT briefing notes in Vietnamese published by IUCN. Therefore, they commented that publications about FLEGT in Vietnamese would be useful to raise the awareness.

They are concerned about the reduced competitiveness of Vietnamese timber industry related to FLEGT, as this will mean the industry has to demonstrate that their timber products exported to the EU market are legal. For other countries who have not signed VPAs with the EU, they can continue exporting timber products without making effort to verify legality. The team explained that the proposed Due Diligence Regulation is used to address the issue of 'leakage' as this will apply to all countries which export to the EU market.

They would like to see some kind of control on the import of timber into Vietnam, in term of options of verifying legality of imported timber. Currently only the export of timber products

would be controlled. However, they also raised the concern that it would be difficult for the government of Vietnam to control all borders with the neighbouring countries such as Laos.

**Domestic production**

Tran Duc believed that they still need to import logs from other countries. The size of timber species such as acacia, which they use in their products, is too small to meet their requirements. They do not expect that the projected volumes on the planned and establishes plantation areas in VN will lead to a decreased dependence on imported raw material.

**Other comments**

They commented that indoor furniture does not subject to the same pressure as the outdoor furniture on the legality/ sustainability of timber. They sourced FSC certified oak for their indoor furniture, and are working with their supplier to promote FSC certified products. They would like to see same level of requirement for indoor furniture.

**5. The Forest Trust (TFT)**

Date	11 <sup>th</sup> August 2009
Organisation	TFT
Name	Dr Ho Van Cu
Job Title	Vietnam Representative
Name	Mr Hao
Job Title	

**Key discussion**

**Support required**

TFT is a NGO which provides technical support to the industry regarding wood tracking system, legality issues and forest certification. They work closely with the industry and they believed that the industry needs more information and support on legality/ FLEGT issues. It was commented that over 70% of companies are small scale, and they know nothing about FLEGT, they also do not have in-house capacity so activities such as workshop to introduce FLEGT to small factories are important.

TFT believed that it is important to introduce the idea of FLEGT to NGOs, discuss the lessons learnt of VPA in other countries so that they know what they can improve.

They also thought that FLEGT provides a good framework, but the industry would need the roadmap to get a better picture of what it would involve, what implications it would have.

**Role of NGOs in Vietnam**

In Vietnam, NGOs play a supporting role to the government and the industry. For instance,

NGOs worked closely with MARD to revise the guidance on timber harvesting. They also provided guidance on FLEGT and Lacey Act to the industry. Similarly, they thought that they will play a supporting role in the FLEGT process. They would attend relevant information sharing and consultation events. TFT expressed frustration that 10 years of discussion on FSC in VN did not result in certified areas. This was attributed to a lack of consistency generally and also on behalf of the government. The government would never say yes or no to anything. But this would be different with FLEGT since motivation would be different. In VN, no domestic NGO would be fit to participate in this process and national stakeholder processes are not known in Vietnam.

#### **FLEGT options**

From their experience from working with the industry in verifying legality, there are different regulations and laws in different countries. So it is difficult for the industry to understand which ones are acceptable. They commented that the involvement of inter-government ? is important. They believed that the government of Vietnam should work with other countries to discuss the issue of legality of timber.

#### **Domestic production**

TFT believed that the industry would still need to import timber from other countries to meet their needs. It is because there are not many commercial species available in the natural forests. Plantations are also patchy which only provide small volume of timber. The industry need higher quantity and logistically it is not economical to transport timber from different parts of the country.

#### **Law enforcement in Vietnam**

TFT commented that Vietnam has good laws and regulations regarding forestry. They are clear and detailed. However, no one knows about whether it is effectively enforced, monitored and evaluated. So law enforcement needs to be strengthened.

## **6. Duc Nhan**

Date	12 <sup>th</sup> August 2009
Organisation	Duc Nhan Corporation
Name	Tran Xuan Quang
Job Title	Managing Director

#### **Key findings**

Questions asked by interviewees	What is the purpose of this mission?
	What is the schedule and which other companies have been visited?
Perception/ concern on FLEGT	The company is aware of FLEGT, but commented that the majority of the companies in the industry are not aware of it.

	A clear timeframe of what needs to be done in certain period.
Useful support required	Technical and financial supports for the industry are required from the government to develop understanding of FLEGT.
Team follow-up	

## Discussion

### Company overview

Duc Nhan was established 10 years ago as a garden furniture producer. It now has 4 factories (one is located in Kon Tum province, one is located in Binh Dinh province and two are located in HCM City) with total capacity of 810 containers per year. They also have established 2 new factories for indoor furniture. Duc Nhan is a member of VFTN, and is also a FSC CoC certificate holder.

### Timber sourcing

Duc Nhan mainly buys eucalyptus and acacia, both are FSC certified. They also buy teak from Ghana and Costa Rica. Mr Tran mentioned that the company planned to decrease the portion of non certified timber, and increase the portion of certified timber, as this is one of the commitments of VFTN. He also commented that they do not buy teak from Burma because it is considered being conflict timber and the timber source does not comply with VFTN policy. Their sourcing of balau has been decreased since it is difficult to get documents to prove legality.

When asked what types of documents he required to prove legality, he responded that documents to show legal origin and also licences from the government were required.

### Awareness of responsible sourcing, FSC

Mr Tran said that the level of awareness related to environmental issues, responsible sourcing and FSC in the timber industry have been increased, compared to 10 years ago. Information sharing is easier nowadays, this can be done through internet, seminars and training. However, he commented that many manufacturers source timber from legal and/ or sustainable sources in order to meet clients' requirements, as this means maintaining market share and making profit. Many of them do not truly understand the meaning of legality/ sustainability and the differences between both

### FLEGT

Mr Tran has heard about FLEGT, and has attended seminars such as those organised by WWF. But he mentioned that because of the current economic downturn, many companies do not care about the legality/ sustainability of timber, as they were struggling to survive. Therefore, a lot of companies do not have time to study information on FLEGT. (or he himself does not have time?) He sees the company well prepared since currently 70% of orders are from ScanCom and are processed with ScanCom traded, i.e. certified, timber. He has no experience with Lacey Act and expects customers to provide supplying traders with manuals outlining required activities. Generally manufacturers would need an order first with clear

specifications, than only there would be activities to look into legality matters.

He commented that there is a high percentage of companies in the industry with low awareness of FLEGT. If the concept of FLEGT is not introduced properly, there will be huge implications on the economy. There should be sufficient time for the industry to prepare for the new requirements, therefore a clear timeframe of what needs to be done in certain period of time would be useful. The industry also needs support, both technically and financially. Mr Tran responded that if the government of Vietnam can show to the industry that participating FLEGT is good for the country (e.g. integrating into global economy) and good for the industry (maintain access to EU market), then there will be motivations for companies.

He also realised that some companies will look for new markets that do not have requirements for legality/ sustainability (e.g. Asia, Middle East), if they find the requirements are too complicated. He also commented that the many factory owners are old, who are not easily influenced to make change. The level of education of the owners also affects the acceptance of new requirements.

When asked about the options to ensure legality of timber for imported timber, Mr Tran said that the government can follow the measures used in the garment industry. Before issuing a certificate of origin for garment products, the manufacturer has to provide certificates to show the origin of all raw materials. The manufacturer also has to fill in export declaration to provide information on the origins of raw materials.

#### **Plantations in Vietnam**

The team asked Mr Tran if he would use plantation timber from Vietnam in the future. He responded that it was difficult to say, and it depends on the market. For example, eucalyptus from Brazil is good quality of timber for their furniture, so they import eucalyptus from Brazil. They also use rubberwood, and that they can find good quality of rubberwood in Vietnam, that's why they use domestic source. Mr Tran also require teak for their products, but the soil in Vietnam is not suitable for teak so they still have to import teak from Ghana, Costa Rica.

#### **Other comments**

Mr Tran said that Binh Dinh Province has more than 100 companies which are export-oriented, it was suggested to visit companies in this province to get information.

Mr. Tran also said that wood processing companies in Vietnam can be divided into three types, small-scale companies, medium scale companies and large scale companies. The small and medium scale companies will face with many difficulties to adjust their production to meet the requirements of verification of timber or legal material. These companies will require both financial and technical supports.

## **7. Dang Long Co., Ltd**

Date	12 <sup>th</sup> August 2009
Organisation	Dang Long
Name	Mr Dang Van Long

Job Title	Director
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### Key findings

Questions asked by interviewees	<p>What are the problems in negotiating VPAs?</p> <p>What is the relation of FLEGT to climate change?</p> <p>Which difficulties do SEA countries have which are currently negotiating?</p>
Perception/ concern on FLEGT	<p>Have not heard about FLEGT or DDR.</p> <p>Difficult to prove legality of timber from plantation in Vietnam</p> <p>It is not the suitable time for Vietnam to start FLEGT</p> <p>There was confusion between the requirements of legality and sustainability.</p>
Useful support required	<p>The government should provide support, including information on FLEGT, and provide platform to voice the industry concerns.</p>
Team follow-up	<p>Send info package on FLEGT and Lacey Act in Vietnamese per mail.</p>

### Discussion

#### Company overview

Dang Long is a manufacturer of both indoor and outdoor furniture, it was established in 1999. Outdoor furniture accounts for 40% of total production. All of their products are for export markets, including the EU, the US and Australia.

#### Timber sourcing

The main species used in Dang Long's products is acacia, which is sourced in plantations in Vietnam. Acacia comes in as sawn timber, which they has 3 main suppliers. They also buy timber from other countries such as pine from New Zealand, eucalyptus from South Africa, and some hardwood species from Brazil. Some of these imported wood are FSC certified, e.g. eucalyptus. It was understood that the imported timber approximately accounts for 20% of their total raw material requirements. Imported materials were bought from an importing company in Vietnam. It was his company's long term strategy to use domestic timber. They use imported timber if domestic timber cannot fulfill the requirements from clients.

#### FSC

Mr Dong mentioned that 30% of their customers require FSC timber, which is a pre-condition for signing a contract. He has attended the training course on FSC CoC certification and was prepared to get certified. However, due to the current economic downturn, fewer customers place orders so he has to postpone the process of achieving certification. Since 80% of the raw material lcomes from Vietnam, and there is only one FSC certified plantation in Vietnam,

the team asked how he will get the supply of FSC certified timber. He commented that it would depend on client's requirements, so he may need to import FSC certified timber. But in the long term, he would like to work with local owners/farmers to achieve certification.

### **Proof of legality**

The team asked what documents he required from his suppliers for non-FSC certified timber, he said that there are customs requirements regarding the imports of timber. An importer has to provide documents such as certificate of origin and export licence of the country of export.

Mr Long commented that the timber industry may face difficulties in verifying the legality of timber, especially for small companies. Some companies pay attention to FSC, some pay attention to legality, however, most of them do not truly understand the reasons behind these requirements. They did so because of clients' requirements. He felt that many companies will find it difficult to learn and adapt to the new requirements. Mr Long believed that his company can meet the requirements for verified legal supply as he knew how to meet FSC CoC requirements. There was confusion between the requirements of legality and sustainability.

In addition, it was mentioned that it is difficult to get document to prove legality of timber from plantations in Vietnam. There is a policy/ administration requirement that before harvesting, the plantation owners are encouraged to apply to the commune agency for harvesting certificate. Then the commune agency will check that the plantation area belongs to the household and ensure that there are no conflicts with other people. The document will then be signed and stamped. However, Mr Long commented that only 50% of the plantation owners follow this policy. Those following this rule are plantation companies, the remaining 50% of plantation owners who do not follow the policy are small holders/ farmers. They do so to avoid paying possible fees. The commune agency is no legal authority, so the need for enforcement is unclear.

### **FLEGT**

He said that he read about FLEGT in the internet, but did not know the details. He also said that he has not heard about VPA, nor Lacey Act. At the moment, his US customer (an agent in the US) has not yet required him to provide documentation verifying legal origin of the products.

Mr Long thought that it is not a suitable time for Vietnam to participate in FLEGT with the EU. He believed that the legal procedures of harvesting of plantation have to be established before engaging with the EU on FLEGT.

He believed that the government of Vietnam should provide supports to the industry relating to FLEGT. These include information for companies to learn and develop understanding of FLEGT, so that they can engage in the process meaningfully. It is also important to provide a platform for the industry to voice their concerns during the negotiation process. If the industry is not informed properly, there will be a big impact on the economy, especially for those export-oriented companies. He said that it would be most important for the government to know the needs of the industry for the phase of change. Also workshops should be organized by the timber product processing association, based in Hanoi, in the relevant provinces to inform the companies.

Mr Long asked about the problems in negotiating VPA, and commented that it is difficult for EU to establish VPAs with countries.

## **8. Handicraft and Wood Industry Association of HCM (HAWA)**

Date	13 <sup>th</sup> August 2009
Organisation	Handicraft and Wood Industry Association of HCM
Name	Mr Tran Quoc Manh
Job Title	Vice Chairman
Name	Mr Nguyen Van Vy
Job Title	Office Manager
Name	Mr Eberhard Goetz
Job Title	Technical expert

### **Key findings**

Questions asked by interviewees	<p>Clarification of the concept of 'legal timber'?</p> <p>Can recycled timber be included? How to verify legal source for recycled timber?</p> <p>Difference between FSC and FLEGT?</p> <p>Can FLEGT timber replace FSC?</p> <p>Do public procurement policies factually work as a law?</p> <p>Where to get a permanent update on recent developments?</p>
Perception/ concern on FLEGT	<p>HAWA and its members are aware of FLEGT, but not the details. HAWA would be suitable as transmitter of information to its members.</p> <p>The earlier the better to get involved in FLEGT, since this is very important for the timber trade in Vietnam.</p> <p>It was suggested to set up a system to verify legality and issue a certificate of legality, which should be carried out by HAWA.</p>
Useful support required	<p>Official translation of all FLEGT related information for timber industry to endorsed by MARD.</p> <p>Seminars and workshops for members, possibly a series of three in the main provinces.</p>

	To be informed on a regular basis on the development and progress of FLEGT
Team follow-up	Send information package

## Discussion

### Organisation/company overview

HAWA was established in 1991, currently the association has 310 members who are involved in wood processing and handicraft production in 25 provinces. 180 are wood processing companies. In total, around 2.500 factories are supposed to be registered in Vietnam. However, accurate figures do not exist.

Mr Manh is also the director of Saigon Trade and Production Development Corporation (SADACO). He briefly introduced his company. Sadaco was originally a state company, but 2 years ago became a joint-stock company, with 20% capital from the state. They have 4 factories, 2 factories manufacture indoor furniture, 1 of these produce outdoor furniture, and the remaining produce bamboo furniture. All of the products are for export markets, including the EU, US and Japan. Raw material used in indoor furniture is recycled pine which was formally used in pallet. They also buy acacia and eucalyptus from plantations in Vietnam. In addition, they buy white oak, red oak, beech, walnut and ash from America, Germany and France; pine from New Zealand and Australia. 20% of the raw material is from plantations in Vietnam, 30% from recycled pine pallets and the remaining 50% is imported.

### FLEGT perception

HAWA is aware of FLEGT since 2007, though not the details. They inform their members about FLEGT issues through a section on the HAWA website, emails and newsletters. They cooperated with VIFORES, IUCN and WWF to organise a seminar on FLEGT last month. 20 members of HAWA attended this seminar. HAWA explained that they act as a platform and advisory body. HAWA organises regular seminars for members on market requirements, and they intended to organise a seminar for all of their members to raise the awareness and understanding of FLEGT. A code of conduct for members could be established.

It was commented that Vietnam should get involved in FLEGT, the earlier the better. They believed that in the future customers will require this. It was commented that some members may have difficulties in complying with FLEGT requirements, but they thought that they will have to comply otherwise it means no market access. Some of the members asked HAWA who and how to provide certificate of timber to verify legality.

It was discussed that different websites may have different translation on FLEGT. It was suggested that MARD should approve/endorse all official translations on FLEGT to avoid different meanings and confusion.

HAWA suggested that the government should set up one system for the whole country to verify legal timber, for domestic production and imported timber. It was suggested that HAWA can set up an organisation to verify timber legality and issue a certificate of legality. It is because HAWA knows how the industry work, how companies operate and their timber sourcing. This was a similar concept as to the current system of the VCCI (Vietnam Chambers

of Commerce and Industry) that it issues a certificate of origin (CO) for manufacturers.

HAWA would like to have a clarification of the concept of legal timber, and what documents can be used to demonstrate legality. They would send an official letter to MARD on their concerns/ perception of FLEGT.

#### **Support required**

It was commented that only information on website and newsletters is not sufficient to raise the awareness and understanding of FLEGT. HAWA suggested organise seminars and workshops at provincial level (e.g. Hanoi, Binh Dinh and HCM City) to raise the level. HAWA also would like to be informed on a regular basis on the development and progress of FLEGT.

#### **Plantations in Vietnam**

Mr Tran mentioned that his company is working with TFT on plantation project to get FSC certified. He said that he intended to increase domestic supply of timber sourced from plantations in Vietnam. SADACO aims to achieve FSC certification next year and would then finish the TFT membership. Currently they use also TFT-CoC for sources from domestic plantations.

### **9. International Furniture Corporation (IFC)**

Date	13 <sup>th</sup> August 2009
Organisation	International Furniture Corporation (IFC)
Name	Mr Tong Huy Hoang
Job Title	Deputy Director

#### **Key findings**

Questions asked by interviewees	What do you mean by 'legality verification'? Cannot ask questions, because I had no time to read anything.
Perception/ concern on FLEGT	Have not heard of FLEGT More market access if Vietnam participates in FLEGT
Useful support required	Guidance for the industry on how to meet FLEGT requirements
Team follow-up	Send FLEGT briefing notes

## Discussion

### Company overview

International Furniture Corporation (IFC) is a manufacturer of bedroom furniture. It was established in 2000. It is a joint-venture company with investment from Norway, Scotland and Vietnam. Its parent company is Scansia. All of its products are for export markets. UK is the top importer, which accounts for 60%, followed by US (25%) and the remaining goes to Japan.

### Timber sourcing

100% of their raw materials are sourced overseas in which they import directly. Their main species is pine, which is imported from New Zealand, and some from Canada. They also use eucalyptus from South America. All of their eucalyptus is FSC certified. IFC is a FSC CoC certificate holder, in which they achieved certification 4 or 5 years ago. Mr Hoang mentioned that most of his UK customers require FSC certified products.

### FLEGT perception

Mr Hoang said that he has not heard of FLEGT nor of Lacey Act. However, he commented that he supports programmes which can maintain the long-term supply of wood as he would like to continue his business. He said that if Vietnam participates in FLEGT, there will be more market access for the industry. Mr Hoang suggested that guidance for the industry on how to meet FLEGT requirements would be useful, for example, what kind of documents can be used to show legality. If arranged timely, he would attend a stakeholder meeting to share experiences and receive updated information.

### Control of imports/ transport

Mr Hoang mentioned that his company has to declare and report to the market management department on the details of imported timber, including volume and species. Every month staff from this department comes and checks if the volume declared matches with the actual figure. The company also has to fill in documents relating to transport of timber products. This can be checked by the market management team, police or forest ranger if necessary.

Mr Hoang showed the team a list of documents he received regarding import of logs, these include custom declaration form, commercial invoice, bill of lading, packing list and certificate of origin.

Currently the government of Vietnam does not have any tax on imported timber to encourage domestic processing. The custom declaration form HQ/2002-NK lists volume, value, HS code and other information. However, the official statistics as kept by customs do only reflect the value of the imported timber. The company has to report to the Forest Protection Department and is audited monthly.

### Plantations in Vietnam

The team asked if Mr Hoang would consider using domestic timber, as there is a supply of pine in northern Vietnam. He responded that the size of local timber is too small, which is not suitable for his products. In addition, it is also difficult to provide documents to show the origin of timber, as farmers usually do not issue an invoice for sold timber.

## 10. SGS

Date	14 <sup>th</sup> August 2009
Organisation	SGS
Name	Mr Le Anh Ngoc
Job Title	ISO Series Project Manager
Name	Ms Nguyen Thi Kieu Hanh
Job Title	Sales Executive

### Key findings

Questions asked by interviewees	
Perception/ concern on FLEGT	<p>Have heard about it but do not have in-depth understanding</p> <p>Right time to start negotiating with EU</p> <p>If it is a legal requirement for companies to verify legality, then they will follow the rule.</p>
Useful support required	<p>Make information publicly available</p> <p>Provide seminar and training so that companies develop detailed understanding</p>
Team follow-up	Send FLEGT briefing notes and web links

### Discussion

#### Company overview

SGS is a certification body accredited to FSC and its main activity in Vietnam is providing FSC CoC certification for the wood industry. They are leading in CoC certification in Vietnam with about 70% of all certificates issued (currently 129 out of 176).. Other certification bodies share about 30%, such as SmartWood and Control Union.

#### FSC certification

Mr Ngoc stated that some companies in Vietnam mixed illegal wood with FSC certified timber, which led to suspension of a few CoC certificates. He said that now FSC pays attention in Vietnam's wood industry to ensure that CoC certified companies follow the rules. At the moment, there is no company supplying FSC controlled wood in Vietnam. He commented that the gap in the industry is the 'uncontrolled wood'. This uncontrolled wood may be of legal origin, however, it does not meet FSC controlled wood requirements. Many companies do not know the origin of this uncontrolled wood. He believed that companies

can tackle this uncontrolled wood issue by asking the suppliers the origin of wood, keeping data for 5 years (in line with FSC CoC requirement on record keeping), maintaining a robust system to control the uncontrolled wood.

As of August 2009, there is only one plantation forest in Vietnam that achieved FSC FM certification. It was commented that the law in Vietnam is complicated, some of the law may not be sufficient to meet FSC requirements, for example, rights of local communities in plantations in Da Nang. FSC Vietnam?, see below.

## **FLEGT**

Mr Ngoc mentioned that he heard about FLEGT but does not have in-depth understanding. The concept of an Independent Monitor is not known. He has not heard about Due Diligence Regulation or Lacey Act. There is also no request for such kind of information on behalf of any of the clients. He commented that he would like to push companies to follow FLEGT requirements as soon as possible, otherwise they will have troubles, as the problems faced in FSC related to uncontrolled wood. He said that companies do not want to spend money and time to control the 'uncontrolled wood' but if it is a legal requirement then they will do it. It was commented that the certified companies do not ask about FLEGT, they thought that it is a subject matter that the government and the EU should deal with.

He believed that all companies in Vietnam should be made aware of FLEGT. This can be done through:

- make information publicly available
- provide seminar and training so that companies develop detailed understanding
- develop a list of companies which have sent staff to trainings
- carry out random sampling on what the companies buy and sell and enforce

He said that bilateral agreements with timber supplying countries are at macro-level, which are the responsibilities of the governments of Vietnam and timber supplying countries. He believed that companies should have commitment to sourcing legal timber. If they fail to do so, they should be held responsible and punishment should be imposed. If there is a regulation/ mechanism to force companies to verify legality, then they will follow. However, Mr Ngoc mentioned that it should be voluntary. This implied that there is confusion between voluntary certification and legally binding agreement to verify legality.

## **Legality verification**

Mr Ngoc mentioned that document to provide legality differs in different countries. Some countries may have certificate to show that timber is harvested legally. He mentioned that wood from plantations in Vietnam probably can meet legality category of controlled wood requirement, but not the other 4 categories. He said that a licence for exploitation of plantation may be sufficient to demonstrate legality. In some areas, farmers provide a certificate issued by the local commune agency to verify legal origin of timber. He commented that this is problematic. Since SGS only conducts CoC certification they have no legality definition or list of laws for the legality of timber in Vietnam. Another critical point is the uncertainty about rights of people living in the plantations.

## **11. MARD – Department of Forestry**

Date	17 <sup>th</sup> August 2009
Organisation	MARD – Department of Forestry
Name	Ms Pham Minh Thoa
Job Title	Deputy Director General
Name	
Job Title	

### **Key findings**

Questions asked by interviewees	None
Perception/ concern on FLEGT	FLEGT seen as tool towards SFM. Unlike Lacey Act it is a collaborative process which includes support of the partner and is based on outcomes of negotiation. Simple tool to verify legality, though there is a confusion between FSC certification and FLEGT requirement on legality
Useful support required	Training for central government units in general way and more practical for local authorities. This includes forest owners, customs & processors on how to meet the requirements. Information may be shared through a centralized channel and published on a website to ensure that everyone has the same understanding
Team follow-up	

### **Discussion**

#### **SFM & FSC certification**

Ms Pham highlighted the strong commitment of VN to SFM as outlined in the national forestry strategy until 2020. VN aims to get by 2020 30% of all production forest (natural & plantation) FSC certified. The government is aware that this is a very ambitious aim and has already selected the FMUs which shall be certified. Funding to implement the strategy to promote is needed and external donors focus on different groups: GTZ works with state forestry companies and FAO with household groups. 1 plantation of 10,000 ha was recently certified, the overall area to be certified until 2020 would be 2.6 mill ha, i.e. 30% of 8.4 mill ha. Interest of foreign companies into SFM would steadily increase and there is a tendency for joint activities of private foreign and local companies to obtain FSC. VN ranks third amongst Asian countries with currently 170 issued FSC CoC certificates. National criteria for a SFM standard have been submitted to FSC International and hopefully can get endorsement by end of 2009. This standard is supposed to serve as the legal basis for SFM in VN. Main

obstacles to stronger implementation of SFM are of financial and technical nature plus a low level of awareness amongst forest owners. Overall the implementation of the forest strategy in the first years since 2007 is described as being too slow and technical and financial support from outside is needed to develop a roadmap and to link global initiatives to the local approach.

## **FLEGT**

VN is promoting the FLEGT process but more attention of EU is needed. Most forestry activities would be carried out by poor people and those would need a lot of support to achieve certification. Options of stepwise approaches and group certification were stated not realizing that this relates to SFM. The participation of other departments is needed to support MARD. VN is committed to SFM regardless of FLEGT, but FLEGT is seen as a supportive tool to SFM. Lacey Act forces exporters to comply without prior debate and is perceived unjust. Generally there is a different level of understanding of the term legality amongst VN timber sector players. Customs are responsible for imported / exported timber but verification of legality is different, e.g. species are not known and mis-classification of species. This was recognized and currently efforts are taken to build knowledge amongst management. If FLEGT is followed in the right way this will be a very important development for the VN timber sector because more products will be able to be sold for a higher price compared to the domestic consumption. Market prices in EU or USA are 30% higher than in VN.

Ms Pham commented that there is no consistent understanding on FLEGT therefore training at all levels are required. For central government level, general information would be sufficient. For local level, practical information on how to meet FLEGT requirements would be useful. Information can also be shared through a centralized channel (e.g. International Cooperation Department of MARD) and published on website.

## **Legality verification**

Perceived as being most important for legality verification is FSC SFM & CoC certification. Customs require a harvest certificate and a forest area rent by the forest dept, and info on species. For transition timber a certificate of origin and info on quantity and destination are required. Generally there are 2 options for international cooperation in the region: 1) VN works closely with Indonesia to follow up in cases of perceived illegal timber trade. Similar arrangements could be established with Laos or Cambodia. Furthermore the recent ASEAN meeting agreed on a draft legality definition for timber products. 2) independent third party verification like FSC

For natural forest a harvesting license by the central government is required which must be in line with quota (species, volume) regulations. For plantation forest a company needs to obtain a harvesting license issued by the Forest Protection Department (FPD) at central government level. There will be an inspection after harvest, taxes and fees need to be paid and permission by the district office of FPD is required prior to transport. Household need to obtain a harvesting license by the commune authority at local level. Some local forest owners avoid the process to get this license since it may take several days. Principally, even though they own the timber and are free to decide when, which volume and to whom to sell, they need the harvesting license. Enforcement is sometimes lacking and financial penalties are comparatively low.

## **12. MARD – International Cooperation Department**

Date	17 <sup>th</sup> August 2009
Organisation	MARD – International Cooperation Department
Name	Mr Hua Duc Nhi
Job Title	Vice Minister
Name	Mr To Viet Chau
Job Title	Deputy Director General

### **Key findings**

Questions asked by interviewees	
Perception/ concern on FLEGT	Potential disadvantages for VN will depend on the content of the VPA.  Worried about DDR coming into force before VPA with EU concluded, because trade may face loss of market share.  LA/DDR known and requirements should be able to be met for domestic plantation timber, but detailed requirements yet unknown.
Useful support required	Support in information dissemination to officials and industry needed.
Team follow-up	

### **Discussion**

#### **SFM & FSC certification**

Forest areas increase annually.

#### **FLEGT**

ICD is aware of FLEGT since a number of years and was updated on current developments in EU e.g. by the report written of the Vietnamese experts following their study tour to EU in June 2009. However, concrete VPA-requirements may not be known in detail. Generally there are differences between countries how to manage forests. There are no worries about gaps relating to forest management, but there are worries about gaps relating to procedures and documents being different to requirements of the EU.

Any FLEGT agreement will help to achieve better law enforcement. Although VN has laws and regulations, legal compliance and awareness about the requirement of legal compliance are still limited. There are cases of illegal logging, but in general in VN the situation is under

control and VN manages the situation. The industry would need support not to use illegal timber. EU should support an information campaign. VN has established a Technical Working Group (TWG), but outside experts are needed to help developing a roadmap, to point out necessary activities and appropriate timing. Also research activities are wanted.

EU is a large market for the wood processing industry, so the industry will have to follow the market requirements.

### **Legality verification**

VN has a clear regulatory framework relating to forestry and timber trade. Any perception of another country of existing regulation within a given country may be different. This applies to EU as well. There is agreement on legality of timber trade with other countries. E.g. customs need to see an export declaration and transport documentation. When he had visited ports for incoming timber shipments it was found that when e.g. a stamp was required by the country of origin this stamp was to be found. This is similar to the situation in VN: when a stamp is required, then a stamp should be there. Illegal logging is followed-up and there is strong punishment of culprits. Consequences may be confiscation of transport vehicle and timber, financial penalties or prosecution by court. In terms of administrative structure there is a forest ranger and a system of regulation of harvesting activities. ICD is not happy with the violations of legal requirements. The following are the main reasons for legal non-compliances:

1. Benefit –sharing between involved actors is not balanced
2. Mandated responsibilities: interest of local authorities in forestry activities
3. Companies do sometimes not actively follow regulations

It is a long story to enforce legislation and thus can only work step by step.

Legality verification in terms of procedures and documents for domestic plantation timber should be ok, but for imports it is complicated. VN cannot check the credibility of documentation provided by other sovereign countries. It is hoped that EU can have bilateral agreements with third countries supplying to VN industry which would help them meeting EU requirements.

Currently the government system is used to verify legality, but in the long-term verification by a third party seems possible, especially since this would reduce necessary government efforts. But until any trade association or a third party is ready to do this, the government will have to continue to play this role.

### **13. MARD – DPT**

Date	18 <sup>th</sup> August 2009
Organisation	Department of Processing and Trade for Agro-Forestry-Fisheries Products and Salt Production (DPT) of MARD
Name	Mr Nam

Job Title	
Name	Mr Thanh
Job Title	

### Key findings

Questions asked by interviewees	
Perception/ concern on FLEGT	<p>Have heard about FLEGT, proposed Due Diligence Regulation and Lacey Act but no deep understanding.</p> <p>Right direction to engage in FLEGT</p> <p>Small companies have to set up procedure to verify legality of timber, this may impose cost</p> <p>Require transition period for companies to make adjustment</p>
Useful support required	<p>Workshops organised by associations for companies</p> <p>Technical and financial support for companies</p>
Team follow-up	

### Discussion

#### FLEGT – awareness and perception

Mr Nam said that he has heard about FLEGT, proposed Due Diligence Regulation and Lacey Act. He received this information from the report of the study tour to EU from his staff Mr Thanh. However, Mr Nam stated that he does not have a deep understanding of the details. He mentioned that the officials working in his organisation are also aware of FLEGT.

He said that FLEGT is the right direction for Vietnam, and he supports this programme.

It was stated that even though there are more than 170 companies received FSC CoC certification, the majority of the companies in Vietnam are small scale hence they do not have the capacity as the big companies. They do not know the procedures and do not know what documents are needed to verify legality. Generally, small scale operators would not pay much attention to aspects of legality. Hence, it would be harder for those to adjust. He commented that the wood processing companies need time to adjust themselves in order to meet the FLEGT requirements. He thought that the industry needs a transition period to adjust. During this transition period, industry association and administrative offices can carry out gap analysis with the industry, to examine what problems they face and provide follow-up actions for them to close the gaps. The department was asked by the industry for support on how to secure legal sourcing of timber in other countries in the past.

### **Support required**

He mentioned that some associations and administrative offices have carried out workshops for companies to understand FLEGT, he believed that this kind of support is required. Companies also need financial and technical support to help them improve their current management. He would like to receive support from EU.

### **Concerns**

As Mr Nam mentioned, the majority of companies in Vietnam lack capacity, they may face problems in meeting FLEGT requirements, as many of them do not pay sufficient attention to the timber source, or documents to demonstrate legality. Therefore, they need to set up procedures, which means higher production cost. This is a disadvantage for small companies.

### **Illegal logging and legality verification**

Mr Nam mentioned that Vietnam has law and regulations to prevent illegal logging. The cases of illegal logging have been reduced in recent year. He commented that some illegal logging activities were small scale and were carried out by farmers for self-consumption rather than commercial use.

In terms of imported timber, it has to follow customs requirements. And different countries will have different documents to prove legality. In addition, the forest protection department also carry out random checks for imported timber at the point of entrance. If the timber shipment is not accompanied with appropriate documents, there are procedures to deal with this immediately. Nevertheless, Mr Nam commented that customs officers only pay attention to the customs requirements and procedures, which sometimes are not sufficient to demonstrate legality of timber, At the same time, it is impossible for them to go to the forest origins and check if the timber is harvested legally.

Mr Nam mentioned that ASEAN member countries have agreement to control illegal logging. It is not allowed to transport illegally logged timber to the neighbouring countries. He suggested that to create voluntary agreements with all countries which export timber to Vietnam. Once this agreement is signed, it is mandatory. He suggested that a third party can carry out check to see if the countries comply with the requirements set out in the agreements. He mentioned that the focus of this agreement would be on what documents to verify legality. Mr Thanh suggested that ITTO can play the role of third party to verify legality.

### **Plantations in Vietnam**

In the long term the Vietnamese government would like to reduce the volume of imported of timber and utilise local materials. Mr Nam said that it is the Vietnamese government's intention to manage the plantation forests aiming for large diameter logs, which are suitable for the furniture industry. Vietnam will still continue to import timber, and the volume will depend on the requirements of companies and their buyers. He said that the government encourage investment to develop MDF processing, which also use plantation timber. It was commented that the government intends to reduce the wood chip export in the near future, such as increasing export tax. Further options to achieve this would depend on the then development state of VN. Some statistical features of the forestry strategy have been discussed and it was stated it may take 20-30 years to have sufficient supply from

plantations.

#### **14. MARD – Legal Department**

Date	18 <sup>th</sup> August 2009
Organisation	MARD – Legal Department
Name	Ms Nguyen Thi Kim Anh
Job Title	Deputy Director

#### **Key findings**

Questions asked by interviewees	
Perception/ concern on FLEGT	Concern that the EU regulations may require new documentation.  A potential negative impact may be that small scale producers with low capacity will face problems. Timber product exports may decrease and there will be a negative impact on the trade.
Useful support required	Support is needed to develop these new documents and to design a precise road map for the implementation.
Team follow-up	Invitation to MARD workshop

#### **Discussion**

##### **FLEGT**

The Legal Department is involved in policy design for the VN government. This includes exchange with other countries to compare legal backgrounds in respect to international requirements. This can happen with easy means such as website information and individually requests. There is no international requirement to inform other countries on change of own policies or regulations. She is the Director of the Fisheries Law Project and has heard about LA but has no detailed understanding. The department has participated in an earlier MARD workshop on FLEGT. FLEGT means a helpful process to move forest sector to SFM and helps local farmers. Also data collection for the government will be improved. The FLEGT Action Plan and its elements are known and perceived as sufficient to cause a move towards SFM. The new policy of EU is hard to understand and does mean for VN that the implementation of a new policy is more difficult than a review of an existing policy. Overall, the FLEGT policy does match the political aims of VN, but is in terms of SFM not enough. CITES requirements and associate documentation for customs are known. It is perceived that EU wants to see import and export of timber and timber products to be covered by legal documents. However, legality is required for export and import in any case.

There is concern that the EU regulations may require new documentation. So, support is

needed to develop these new documents and to design a precise road map for the implementation.

A potential negative impact may be that small scale producers with low capacity will face problems. Timber product exports may decrease and there will be a negative impact on the trade.

The concept of stakeholder consultation in the context of a legality definition is not known. It is possible to have a discussion about the concept of legality but it cannot differ from the concept of law. Such discussion could help the implementation of the law but could not conflict with existing law.

It is hoped that through the FLEGT process more could be learnt to support the industry.

### **Legality verification**

Legal timber is defined/described in agreements between VN and other countries and is oriented e.g. on list of endangered species. Some CITES II A species are allowed to be traded only as finished handicraft products. Legal timber is usually defined as timber being harvested in accordance with the national laws and regulations. Government regulation No. 12 does not allow the export of round wood from natural forests. No. 44 from 2006 is a guideline to verify legality for selected items only. These documents are produced by the government and circulated through ministries and on sub-ministerial level.

The option of legality verification by an authorized third party is in line with the government policy of socialization of government responsibilities. The government would assign other parties to provide a license but would maintain control on the approved suppliers of these services. An example of practical implementation is the verification of documents, whereby the government approves the private sector with sufficient capacity to conduct this task. The private sector is currently trained to for the registration of fisher boats, whereby the fee to be paid shall not exceed a maximal figure but is otherwise subject to negotiations depending on individual situation and the location of the “service provider”.

## **15. WWF Vietnam**

Date	18 <sup>th</sup> August 2009
Organisation	Vietnam Forest and Trade Network (VFTN), WWF
Name	Dr Le Khac Coi
Job Title	Forestry Program Manager

### **Key findings**

Questions asked by interviewees	What is the output of the mission? What is the opinion of the level of readiness? Have there been specific questions for the trade?
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	<p>What will the team recommend?</p> <p>What about a similar mission in other countries, especially those which are currently engaged in VPA-negotiations?</p> <p>When should VN start to negotiate?</p>
Perception/ concern on FLEGT	For WWF VN the process is too slow. The government should have started to negotiate with EU in early 2009. But in the end the start date depends on the commitment of MARD. Survey participants by large are supportive, least because the FLEGT requirements are going to come anyway. There was a call for MARD to set up a TWG soon.
Useful support required	
Team follow-up	

## Discussion

### SFM & FSC certification

There is concern that there are already too many policies, procurement guidelines and other relevant market requirements. There should be one globally applicable set of requirements. The demand for certified timber is perceived to increase and FLEGT is not seen as a competition to it.

### FLEGT

WWF VN monitors FLEGT process closely and is aware of the expert visit. A few days ago a report of a stakeholder analysis conducted by IUCN, WWF and VIFORES was compiled. Wood processing and trading companies were key stakeholders the analysis focused on. This report should be available in English in around 10 days. Core contents and findings were presented to the joint expert team. The Vietnamese version will be send to team member Dr Mau. Details of the report will not be discussed here for two reasons: The report has not been received and could not be fully studied. The report per se was not in the focus of the meeting. The survey is planned to be applied also at higher governmental level, but currently there is no funding.

There is confusion about legality requirements under FLEGT and the means via a VPA to meet those and generally the requirements of certification of sustainable forest management and chain of custody. The idea of a globally applicable legality standard was linked to the use of FSC P&C.

The perception of the people's level of understanding of FLEGT gives two options:

1. VN joins FLEGT, than the companies familiar with CoC will have an advantage.
2. VN does not join FLEGT, than there is a red light in terms of restricted market access for the industry

The role of WWF VN in the FLEGT process could be support e.g. for the legality definition. They also support companies on timber legality definition, as currently VFTN members use WWF publications Responsible Purchasing of Forest Products. There is experience in market transformation due to the GFTN work and a study with TRAFFIC on national legality requirements for timber.

Suitable participants in a stakeholder consultation regarding FLEGT would be MOIT, MARD and representatives of the 4 major processing areas in VN.

WWF commented that the FLEGT process in Vietnam is too slow. The process can be speeded up, and this depends on the commitment of MARD. For example, this can be done by setting up of technical working group and developing a clear roadmap.

### **Legality verification**

There is awareness that different countries do have different laws and thus different legal requirements. E.g. in Laos the export of logs and sawn timber is banned. However, this material is considered legal in VN. However, the licensing system in all countries should look the same. The differences if the legislation in different countries is perceived as a FLEGT weakness.

An earlier workshop (28.07.2009?) agreed that the licensing system should be implemented by a third party.

In terms of problems with law enforcement in VN the whole system should be reviewed to identify gaps. There would be contradictions between laws and conditions for e.g. CoC certification, e.g. that no harvesting license is required for households.

Legality verification as part of a licensing system should be conducted by a third party and CoC should be enough. There would be no constraints on behalf of the CBs, since those could increase staff. But the industry would face more difficulties, since their own staff (attitude of management) is perceived to be the biggest hurdle to achieve CoC certification. Sources of legal timber is another issue that the industry face. WWF has arranged 3-4 CoC training courses annually together with trade associations.

## **16. General Department of Vietnam Customs**

Date	19 <sup>th</sup> August 2009
Organisation	General Department of Vietnam Customs, Ministry of Finance
Name	Mr Duong Van Tam
Job Title	Deputy Director of Department of International Cooperation

### **Key findings**

Questions asked by interviewees	Are there any South East Asia countries which export timber products to EU also negotiating on FLEGT?
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Perception/ concern on FLEGT	New to FLEGT concept, will increase transparency in the market
Useful support required	Customs department need to know the general concept of FLEGT. Officers who are in charge of import and export have to develop in-depth understanding of FLEGT
Team follow-up	

## Discussion

### Organisation overview

The main duty of Customs department is to check products at the point of entry or the point of export, to check whether they are accompanied with legal documents for import and export.

In terms of wood processing, imports and exports, MARD has the overall responsibility to manage these activities. However, other sectors are also involved, such as the Ministry of Trade And Industry, Customs department.

### FLEGT perception and concerns

Mr Tam said that the FLEGT concept is new to him and his staff as his department is not involved in export and import. He said that the officers who are in charge of import and export may know more about FLEGT. He said that he heard about Lacey Act but does not know the details, though he has not seen the custom declaration form. He believed that the staff working on export procedures have seen it. He said that he is aware of some laws related to export to the USA.

Mr Tam stated that the government of Vietnam is also negotiating different agreements such as PCA (Partnership Cooperation Agreement) and FTA (Free Trade Agreement) with the EU. He believed that it is useful to carry out the joint scoping mission, as FLEGT is also linked to these agreements. He said that Vietnam finished the 4<sup>th</sup> round discussion, the 5<sup>th</sup> round discussion will take place in October and November. He hoped to have conclusion by late 2010 or early 2011. He said that if Vietnam comes to conclusion on PCA with EU, this could set an example of more regulations/ agreements concluded with EU.

He commented that all officials working in Customs department need to know the general concept of FLEGT. Officers who are in charge of import and export have to develop in-depth understanding of FLEGT. In general, when they received new information (e.g. new law and regulations concerning customs department), they organise training course for the senior officials, and distribute information to the junior officials.

When asked what kind of support is required, Mr Tam said he could not give an exact answer. There are 8000 staff in Customs department, different staff will need different level of knowledge. He would report to the Director and make a recommendation on what kind of support they require.

### Import and Export procedures

Mr Tam said that he does not know the exact procedures for import and export but knows about the general principles. Products for import and export need to have a specific profile, this mainly means documentation. This is first of all the customs declaration. Different products require different documents from different departments. For example for import of timber, companies require documents approved by MARD, and for health care products, companies need documents approved by the Ministry of Health. Companies also need to submit purchase order, invoice, shipping documents and information on when the shipment will arrive in Vietnam. Mr Nam also mentioned modernisation of the procedure. They set up an e-custom service which is a web-based service for two main seaports: HCM City and Hai Pong. Companies can provide the information via internet which helps to speed up the process of import. There is special provision for importers in Vietnam. They do not have to make custom declaration at the point of entry. They can bring in their products and make a declaration afterwards, this is called ICD - Inland Clearance Declaration.

The procedure for export is easier than for import. Companies also need permission from different ministries. Mr Tam also mentioned that the government of Vietnam are in discussion with Laos, Cambodia and China on a 'one check only'-procedure, meaning that products will be checked jointly by customs officers of both countries and only once before crossing of border can happen. At the moment, Vietnam has such agreement with Laos. If there is disagreement between the two countries, they have to follow the procedures in the agreement on how to solve the differences. If they cannot resolve the issue, than both parties will report back to the senior level. But generally there is mutual agreement as the people know each other. These procedure was implemented one year ago and since no case of disagreement was reported. The total number of border check points was stated with 300 for all inland borders. There are national and international check points. International border check points are staffed from both countries with the same manpower, i.e. both countries will provide for customs, immigration, police and border police. These check points need an agreement between the two countries. National check points are smaller, do also have an immigration office, differ in manpower and may indeed only be staffed on VN side.

## **17. IUCN Vietnam**

Date	19 <sup>th</sup> August 2009
Organisation	IUCN Vietnam
Name	Jake Brunner
Job Title	Country Program Coordinator

### **Key findings**

Questions asked by interviewees	
Perception/ concern on FLEGT	Main concern is that there will be misunderstandings and uncertainty among companies until a clear roadmap can be shown and first results have been achieved. The government should try to turn an

	inconvenient requirement in a convenient requirement.  The flexibility to negotiate the product scope/range to be subject to FLEGT is seen as a risky issue.
Useful support required	Resources should be allocated to IUCN to play a facilitation role.
Team follow-up	Invitation to MARD workshop

## Discussion

### FLEGT

Jake Brunner is within IUCN VN not the specialist of forestry matters, however there is profound knowledge and understanding. The trade players are aware of the challenge in term of market access but are interested in improving the management system to meet the requirements. The government is behind the business and is less aware of the FLEGT. It should be seen as a two level process, whereby one level stands for business relations and the other level for bilateral discussion. Among the NGOs in VN IUCN is familiar with issues of forestry in VN and the FLEGT process. IUCN held recently a briefing session for 12 (local) NGOs on the role of NGOs in the FLEGT process. Generally NGOs would like to contribute and would like IUCN to be a focal point. There are two roles possible:

Facilitating role: NGOs such as IUCN have a good understanding of the issues and engage in launching processes to include other groups

Advocacy role: NGOs such as EIA play the role of a watchdog. Such groups are however seldom be found among the domestic NGOs yet, but there seems to be a tendency to have soon more of those. For example, there is a close relation between MARD and a NGO working in the field of wildlife trade. There are 4-6 domestic NGO which are run professionally and it is perceived being important to bring those independent NGOs into the process.

In terms of support, more resources should be allocated to IUCN to play a facilitation role.

Biggest issues for law enforcement are seen in Laos and Cambodia, but this is largely to be tackled internally. Nevertheless, this could not be tackled without the help of Vietnam. The situation in Laos would need to be regulated as the current fee structure is not reasonable. There is concern that this will lead to increased costs for the VN industry.

Domestically there are annually ca 50,000 cases of forest crimes reported by MARD. Possibly the regulatory framework should move away from suppression to prevention and protection.

There are clear links between FLEGT and REDD, but VN does not yet have the capacity to capitalize fully on this.

The flexibility to negotiate the product scope/range to be subject to FLEGT is seen as a risky issue. It is unclear, how the process could be used to control domestic production.

Market-participant based approach should be followed with some pilot companies first to see how complicated the steps to follow for the rest of the 450 registered importing companies

are. In any case, more knowledge among the industry is required. It is important to clarify that these requirements are not to go away again or would be applicable only to VN.

Main concern is that there will be misunderstandings and uncertainty among companies until a clear roadmap can be shown and first results have been achieved. The government should try to turn an inconvenient requirement in a convenient requirement. E.g. an own public procurement policy could be established demanding e.g. that 50% of all furniture in admin offices are made of domestically sourced, verified legal timber.

FLEGT is a public interest issue, it also has its economic importance. Vietnam can use this opportunity to establish its niche in competitive labour market, and enhance its international profile and reputation.

#### **Legality verification**

The three options offered for discussion were perceived as being equally fine.

It will take many years for the plantation to reach the ambitious projected volume targets. In a way, within the current use design (quota) of these resources, there is in-built illegality, since the quota system will not be able to meet the expectations of the domestic supply. Lowering legal requirements to support local households may be feasible. Those were accidentally criminalized and a change in regulation would help the government as well to decrease the number of crime cases.

The dependence on imported timber will continue and there is a very important role for the government to ensure supply of legal sources for the industry. E.g. the government could bilaterally agree with a supply country on the legality of a certain volume of imported timber to be independently certified by a third party.

There should also be more attention be paid on increasing the processing quality.

### **18. Ministry of Industry and Trade (MOIT)**

Date	19 <sup>th</sup> August 2009
Organisation	Ministry of Industry and Trade (MOIT)
Name	Prof Dr Le Danh Vinh
Job Title	Vice Minister of Industry and Trade
Name	Representatives from various departments such as import & export department, centre of industry and trade policy, trade promotion agency and legal department.
Job Title	

#### **Key findings**

Questions asked by interviewees, here	Is FSC certification good enough?
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representatives of the various departments	<p>What is the difference between FSC and FLEGT?</p> <p>Why do we need another new requirement?</p> <p>What kind of criteria for legality will be applied?</p> <p>Will a new license be introduced?</p> <p>What about small-scale production in other countries without FSC certification?</p> <p>Is it ok, when only a certain portion of a product is covered by legality documentation?</p> <p>Which are the other countries currently engaged in VPA-negotiations?</p> <p>Who issues the FLEGT-license?</p> <p>Is there a concluded VPA publicly available?</p> <p>What kind of documentation would be acceptable for the EU for legality of the 80% imported timber?</p> <p>Which options for legality verification were chosen by other countries?</p> <p>Which documentation would be required for small-scale production?</p>
Perception/ concern on FLEGT	<p>Will have a big impact on trade and thus on the national economy if unable to provide legality documentation.</p> <p>Rather related to FTA than to PCA.</p> <p>Generally the process is rather received as a(nother) technical trade barrier, following other attempts of EU to protect the EU market.</p>
Useful support required	<p>MOIT plans to begin publishing more about FLEGT in trade magazines, therefore more and updated information is required.</p>
Team follow-up	<p>Invitation to MARD workshop, send information package in Vietnamese</p>

## Discussion

### Exchange with Vice Minister

Vice Minister Prof Dr Le Danh Vinh commented that the EU should not introduce an own standard but use a globally applicable standard for the requirements under FLEGT. VN understands as common practice in a world of sovereign nations that countries do have own rights. Common practice was stated to include compliance with the respective laws.

It was stated that it is in the responsibility of rich countries to support poorer countries and that the EU should not use a policy as a barrier for trade.

## **FLEGT**

2 representatives had heard about FLEGT during a seminar of VIFORES. One said that FLEGT is a technical barrier to trade introduced by the EU. Mr Hoi mentioned that the first reaction within trade would be like this, because in the past EU placed a lot of anti-dumping measures in Vietnam such as footwear and lighters.

The main role of the government is to support the industry. In the first 6 months of 2009 the value of exported wood products to EU dropped by 17% and to all markets in total by 35%. There is great concern about any activity that might make life even harder for the industry.

There are many small scale producers in Vietnam, it takes time for Vietnam to educate the industry on environmental issues. EU should provide support to wood processing industry.

The Trade Policy for Export department of MOIT produces sector newspaper for the industry and trade. It was suggested that they can use this newspaper to raise the awareness and understanding of FLEGT. They can serve as focal point for distributing information.

It was commented that whatever the EU does, it is essential not to introduce technical barrier to trade, and provide support for the industry.

### **Legality verification**

Except for timber imported from Cambodia, for no other timber import an import license is required. In the case of Laos, the export of logs is banned by Laos government. However, VN companies being active in construction operations for infrastructure projects, such as hydrodams, are allowed to trade timber from the clearing of these construction sites. Guidance on legality verification for this timber seems to be lacking.

It was commented that the legal document requirements of EU is high. For example, the Cambodian government requires a licence to sell timber to Vietnam. For the Vietnamese side, this is fine. However, this is not sufficient to demonstrate legality for EU customers. If Vietnamese companies cannot provide documents which will meet the EU requirements, then they cannot export to the EU market. It was mentioned that the government of Vietnam has to pay attention to this during negotiation.

### **Others**

FLEGT is associated with FTA (Free Trade Agreement) rather than PCA (Partnership Cooperation Agreement). The FTA has not yet been signed, but has passed the consultation process in late April this year.

## **19. Vietnam Timber & Forest Products Association (VIFORES)**

Date	20 <sup>th</sup> August 2009
Organisation	Vietnam Timber & Forest Products Association
Name	Dr Nguyen Ton Quyen
Job Title	Vice Chairman and General Secretary

Name	Mr Ngo Sy Hoai
Job Title	Head of the International Cooperation Department

### Key findings

Questions asked by interviewees	<p>What VIFORES should do to cooperate with ProForest or other EC mandated companies to keep themselves informed of the FLEGT development and process?</p> <p>What is it that we are to get from a VPA?</p>
Perception/ concern on FLEGT	<p>FLEGT came to Vietnam a bit late</p> <p>Knowledge of FLEGT from policy makers and enterprises are not sufficient</p> <p>Information about FLEGT was not sufficiently circulated</p> <p>It is imperative for the industry to comply with FLEGT requirements, since EU is Vietnam's second largest export market</p>
Useful support required	
Team follow-up	

### Discussion

#### Organisation overview

VIFORES is a non-governmental organisation, which was established in 2000. Dr Quyen stated that NGOs in Vietnam are different from other countries. It is the government who takes decision to establish NGO, who also approves the charters and operational regulations of NGOs. VIFORES is a membership organisation, with 731 members, which accounts for 27-28% of the total wood enterprises in Vietnam. Members are scattered in different parts of the country, with more concentration in the south. 90% of the membership is private enterprises, the remaining are state-owned and foreign investment.

VIFORES also have other business as source of income. They own 2 wood processing companies, and also 2 service centres, both are located close to Hanoi. According to the regulations of NGOs, they have to be self-sufficient. That's the reason why they also have alternative sources of income apart from membership fees.

There are 5 main roles of VIFORES

- Act as the bridge between the government (policy maker) and the enterprises (practitioners). VIFORES can communicate directly with the government on the problems and issues faced by the industry. They also provide recommendations on policies which affect the industry, such as tax, administrative reforms.

- Defend interest and benefits of enterprises, there are barriers faced by the industry. VIFORES can represent one voice for the industry
- Carry out activities to promote trade such as exhibitions in Vietnam and overseas for market access.
- Provide information to enterprises such as product information. VIFORES circulate information via their website, monthly magazine called VIETWOOD and regulars events in TV.
- Provide training courses for members on new technology, middle management, market requirements. They announce their training courses in April every year to inform their members and conduct annually 3-4 courses

### **FLEGT Perception**

Mr Quyen commented that FLEGT came to VN late, compared to other countries. He received invitation from MARD to attend a workshop on FLEGT. VIFORES also cooperated with WWF, IUCN to organise a workshop on FLEGT in HCM City last month to raise the awareness. From his observation, he believed that both the policy makers and the enterprise have limited knowledge on FLEGT. He identified 3 main agencies within the government as the key stakeholders of FLEGT. The first one is MARD, he believed that the International Cooperation Department, Forest Protection Department, Department for Wood Processing, and Plant Protection Department are the key agencies to participate in FLEGT. Second stakeholder is the Ministry of Industry and Trade, department of market control is essential, as they control the flow of wood products in the market. The third stakeholder is the General department of Customs, as they control the flow of raw materials from overseas entering into Vietnam.

He commented that the industry has different understanding of FLEGT. Some thought that it is only focus on forest protection. Some believed that it is a protectionism measure from EU, some thought that it is about legal trade of timber products. Dr Quyen commented that the information about FLEGT was not sufficiently circulated. He said that VIFORES would like to carry out training course on FLEGT but they lack sufficient information. Also, they would like to invite government officials to conduct the training, but these officials themselves do not have sufficient knowledge so they could not organise training.

Dr Quyen read about the FLEGT Briefing Notes translated by IUCN, but he commented that he would like to see more detail and elaborative information. For example, he said that there are 5 general principle of definition of legality. Different countries will have different definitions, and that the definition in Vietnam may be different.

It was commented that it is imperative for the industry to comply with FLEGT requirements, since EU is Vietnam's second largest export market. If Vietnam does not comply, they may lose this market sooner or later. Wood processing companies and export companies need to understand and know about FLEGT requirements. They need to know the origin of wood, whether it is legally harvested, and who has the authority to give the certificate. It is important for the companies to know who can supply legal wood (legal sources).

Dr Quyen mentioned that many of the wood processing companies sell their products international retailers in Europe. He quoted that there are advantages of enterprises working with such retails like IKEA. For example, IKEA helped companies identify sources of legal

timber. IKEA can also invest in plantation forests in Vietnam to ensure timber is from legal sources.

It was commented that at the moment only international companies like SGS can carry out independent verification. There is no Vietnamese companies have the capacity to do. HAWA suggested to be the organisation to issue certificate for plantation timber, but they cannot do it as they do not have the manpower to do so.

#### **Control of imported timber**

Dr Quyen commented that bilateral agreements between Vietnam and timber sourcing countries are difficult as it is not feasible to use this to control legality of imported timber. He stated that the government should issue and circulate the criteria of timber legality of Vietnam, then carry out comparison of this definition against the criteria used in exporting countries to make people understand if there are any gaps. He suggested that the Vietnamese government should assign responsibilities for different departments, including Forest Protection Department, Customs department, to take measures on law enforcement. If there is still doubt on the effectiveness of such measures, then the government of Vietnam can invite third party to come and check.

## **20. MARD – Department of Forest Protection**

Date	20 <sup>th</sup> August 2009
Organisation	MARD – Department of Forest Protection
Name	Ms Thi Tungh Nga
Job Title	Vice Director of Nature Conservation Division

### **Key findings**

Questions asked by interviewees	
Perception/ concern on FLEGT	Will be beneficial, since industry is very dependent on EU market, but level of understanding is limited.  Right time to start, but more information and support by the EU is required.
Useful support required	Awareness raising campaigns to alert people on legality requirements are needed as support measure. Therefore help is needed to actually understand what the requirements are
Team follow-up	

### **Discussion**

## **FLEGT**

Ma Nga had heard about FLEGT before, but would have no detailed knowledge. In the department there is experience working on issues related to law enforcement and trade investigation in the context of regional or international treaties. TRAFFIC as one partner was named.

VN will benefit from a VPA because of the strong dependence on the EU market. The department will generally be supportive. Yet there is not enough knowledge to talk about the potential of FLEGT to strengthen law enforcement and potential advantages or disadvantages.

Awareness raising campaigns to alert people on legality requirements are needed as support measure. Therefore help is needed to actually understand what the requirements are.

It is the right time to start formal talks between VN and EU but more information and support by the EU is required.

### **Legality verification**

The department is responsible for all activities related to verification of legal compliance and thus law enforcement in the forestry sector. 50 officials work in HQ and field verification is done by 10,000 rangers. Main tasks are to support the government to develop policy documents and to manage and control harvesting and trading with timber products. Special attention is paid to CITES. However, there is only 1 species which is listed on Annex 1 relevant to VN and this would be mahogany. Also there is a mobile task force as a law enforcement team. In so doing the government of VN will control the sources of timber. All round timber from Laos comes from infrastructure construction sites, such as the hydrodam projects. For imported timber there is special attention paid whether or not it is a CITES-species. For CITES-species a special CITES declaration document is needed, all other timber is subject to regular customs regulations. In terms of laws, there are a number of laws pertaining to forest management, harvesting and transport and conservation aspects. Two important national laws, i.e. Forest Protection and Development Law and the Biodiversity Law (passed in July 2009) are also available in English and can be downloaded from the website of MARD. Laws do not change often and there is an awareness programme for officials at province and department level.

Additionally there are various decrees and circulars, which may change frequently. The many decrees and circulars contain mostly sections relevant for export or import or trade but are not particular on timber as being a forest product. For domestic production a harvesting license was considered being the most important legality verification document. For imported timber this would be the customs declaration form. Generally there are too many changes and reviews of rules across all administrative levels and sometimes the rangers in the field are not well educated and simply may not know or understand the changes. In a way the concept of legality changes with the changes in related documentation.

Law enforcement in general does face a lot of challenges. There are illegal activities and many tactics to trick agencies. It is very difficult to control illegal logging. Sometimes gaps between national laws and international requirements can be found. There is also not enough man power and knowledge available to carry out this task more successfully. Rangers have usually no means to update themselves on changes of international requirements.

50,000 cases of misconduct have been filed last year by the district offices of the department. There are monthly reports of these units to the HQ in Hanoi. Concerning categories or ranking of cases there is a variety of possible misconduct. Usually only the small guy cutting the timber is caught and not the organizers of the forest crime. But these are also problems in neighbouring and other countries. Usually there are controls at the forest gate before timber can leave the forest for road transport.

Regarding the proposed options of legality verification under a FLEGT agreement it would be necessary that the ministries in charge discuss these options first to clarify strong and weak points of any options. Only then a department can receive the necessary guidance.

For harvesting operations there is a harvest quota system and the license mentions location, volume and is issued by the Forest Department. Hammer marks are applied to approve source and volume.

Control of domestic plantation production is limited as the document "Inland transportation license" by the local authority is sufficient for removal from the site of harvesting. However, different provinces do have different regulation, eg some are more focusing on environmental protection.

## **21. GTZ**

Date	20 <sup>th</sup> August 2009
Organisation	GTZ
Name	Mr Heiko Woerner
Job Title	Chief Technical Adviser, GFA Consulting Group
Name	Dr Helmut Dotzauer
Job Title	Chief Technical Adviser, GTZ-KV Forestry Project

### **Key findings**

Questions asked by interviewees	What are the benefits for Vietnam? How is this communicated?
Perception/ concern on FLEGT	Clear description on concept and requirement is needed before negotiations can start.  Clarification needed whether existing CoC certificates under FSC would meet the legality requirements under FLEGT.  GTZ sees their role as participating facilitators of at least an awareness raising process.
Useful support	

required	
Team follow-up	

## Discussion

### GTZ Forestry Programme in VN

The programme started 3.5 years ago and has three components: SFM, policy development and wood processing technology. Main areas of activities are trading and marketing cooperation with trade associations such as HAWA. Under this cooperation there is a cluster with 73 members. Another important area is promotion of SFM. For an area in Da Lak province a FMP is now approved and a second area is in preparation. Both sides shall be certified meeting FSC forest management requirements. Thirdly there is support in improving technology of timber processing to enhance quality and optimize resource use. Therefore a training center as established with the company Truong Thanh (VFTN member). Middle management and supervisors of production are trained there. Together with HAWA and VIFORES promotion of trade services is undertaken and together with WWF VN there a Public-Private-Partnership measure (PPP) to establish the VFTN was concluded.

### SFM & FSC

The final aim of any FLEGT process is SFM. This needs to be communicated in a way which does not cause irritation amongst industry players which are already going for certification.

### FLEGT

FLEGT is known and GTZ understands that MARD will lead this process in VN.

The role of GTZ is such of an observer and participant in meetings, but within a neutral manner, ie without a right to vote on decisions. GTZ has already started to act as a facilitator to raise awareness. The mandate therefore is seen to mostly come from of the very nature of the cooperation framework with VN and capacity of GTZ. It was recommended that MARD should take on more strongly the role to coordinate the various facilitating processes to avoid misunderstandings.

In terms of potential advantages or disadvantages of a FLEGT agreement special consideration must be given to imported timber, where large quantities of unknown or possible illegal origin are transported into VN for processing.

There should be a very clear description of the concept and the requirements needed before negotiations can start.

VN can play a leading role in the region in pushing for the demand for legal timber. However, costs of implementation should be clarified as soon as possible and be kept to a minimum. A stepwise increase of volume of legally verified timber on the market should be considered. It must be avoided to re-invent the wheel and place additional burden on the industry. Otherwise some market player may turn away from the EU market and deliver to markets with lower demands, notably China. But broadly it is not feasible to lose EU as a market. However, the bulk of timber products are destined to markets with lower demands already.

Currently there 165 CoC certified companies in VN and those certificates are sometimes very

weak. One of the currently active Certification Bodies may be close to lose their FSC accreditation. The problem is that there is a very high portion of unknown timber on the market. Almost 90% of their products enter Germany as garden furniture. The industry sees and new concept as a financial burden so it should be evaluated in how far CoC certification could provide the required robustness for legality verification. The connectivity to existing certification schemes procedures was mentioned as being crucial to not increase negative perception on FLEGT as many stakeholders at this stage tend to confuse the system of sustainability certification and legality verification.

The government may start to negotiate on a bilateral basis with other countries which have VPA-negotiations to secure legal sources, in the region this may be with Malaysia and Indonesia. Also an increase of man power within MARD is urgently needed. An export volume of several mil US\$ is mirrored by three staff members within MARD working on timber trade and processing. Also the cooperation between ministries (e.g. Ministry of Industry and Trade, Custom Department under the Ministry of Finance) is often based on power play and delays. But it is hoped that resources will be allocated once VN is entering into VPA negotiations.

Procurement policy development in VN was rated as being very difficult to implement. There was recently a study conducted by a Dutch NGO on potentials for the introduction of a procurement policy.

### **Legality verification**

Generally there is a problem of getting accurate and complete trade statistics. A national survey was planned but failed. Only for a one cluster of companies in one province data is now available due to a project conducted by GTZ.

Legal supply from neighbouring countries was seen as a crucial limiting factor to a potential VPA implementation, should the neighbouring and supplying countries not be more supportive and engaged. But the negotiation position of VN with these countries is not rated as being good.

During surveys conducted a range of industries have been visited. The problem arose that those had no mandate to ask for verification of the legal origin of the supplied timber. Also the mandates to execute controls of timber flows within the provinces are limited. And the authorities assigned with this responsibility lack in resources and manpower. Control systems are in place but do not work properly. Partly this is associated with corruption.

### **Plantations**

GTZ is currently engaged in projects aiming to improve plantations management by smallholders and communities. Thus GTZ is aware of some of the problems these producers face relating to provide documentation verifying legal compliance. Projects focus on planting mixed species and establish community management. In terms of the plantation development approach laid out in the forestry strategy plan, GTZ confirms that the area size can be reached. However, the planted areas lack professional management, eg seedling quality, and thus do not provide the timber quality and quantity projected. There is doubt whether the dimensions to be harvested from the plantations will be able to meet the requirements of the furniture or even construction industry. It would take many more years until VN could become self sufficient in timber supply. A team member explained that only 70% of the required resources would have been allocated by now and that the scattered nature of plantation areas does cause logistic challenges for the implementers of the

strategy.

## **22. Vietnam Chamber of Commerce and Industry (VCCI)**

Date	21 <sup>st</sup> August 2009
Organisation	VCCI
Name	Ms Tran Thi Thu Huong
Job Title	Deputy Director of Legal Department

### **Key findings**

Questions asked by interviewees	
Perception/ concern on FLEGT	<p>She has heard of FLEGT for the first time during the workshop of MARD earlier on the same day.</p> <p>The government should carry out propaganda and research to establish a better understanding before entering into a VPA.</p> <p>There may be an administrative burden for the companies and overall the trade relation with the EU may be affected.</p>
Useful support required	
Team follow-up	

### **Discussion**

#### **About VCCI**

The main role of VCCI is to promote trade activities, establish contacts with markets and business partners for VN companies. They represent business interests in Vietnam. Also they give support to policy makers in the government and carry out promotion of the government policies. Headquarter is in Hanoi with offices in 8 provinces. VCCI has three main mandates:

Distribute information to business on state policies. VCCI website provide a platform for companies to discuss the policy

Distribute information/policy related to the integration of Vietnamese economy to global economy. For example, anti-dumping. VCCI has a committee to provide knowledge and assistant to business on anti-dumping

Provide Certificate of Origin (CO) for export. VCCI verify the origin of products for companies to export.

VCCI has also invited lawyers from USA to give training on the background and the requirements of the Lacey Act.

### **FLEGT**

She has heard of FLEGT for the first time during the workshop of MARD earlier on the same day. The government should carry out propaganda and research to establish a better understanding before entering into a VPA. VCCI could work as a transmitter.

There are a number of difficulties faced by companies:

The wood processing industry will need enough time, eg to update required documentation. This means creating more procedures for the companies, which is opposite to the main stream of what the government of Vietnam is promoting. The government tries to simplify procedures for business, which resulted in 30% decreased in administrative procedures.

There may be an administrative burden for the companies and overall the trade relation with the EU may be affected.

In more detail, the perceived negative trade impact may come in two stages:

1. The currently smooth relations will be changed by the implementation of FLEGT and the products value traded with EU will be reduced. Products can be brought into the EU market will be limited to those with legality.
2. VN companies may orientate towards different markets with lower requirements

VCCI is currently working on a project aiming to simplify document requirements along the supply chain, so how does FLEGT fit into this?

### **Legality verification**

She highlighted the differences in law among different countries and commented on the consequently different legality definition for timber. There may be problems for the local companies to identify legal products from their supply base. Generally there is a different acceptance of legal documents in different countries and there is the need for a harmonized approach.

## **23. EC-Delegation to Vietnam**

Date	21 <sup>st</sup> August 2009
Organisation	EC-Delegation
Name	Mr Hoang Thanh
Job Title	Programme Officer, Rural Development & Environmental Cooperation Section
Name	Mr Robert Hynderick de Theulegoet

Job Title	Team Leader, Rural Development & Environmental Cooperation Section
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## Discussion

### Technical Working Group

There was intense discussion on set-up and structure of a technical working group within VN and a joint technical group together with EC. Any member of a technical working group of VN needs to belong to a governmental authority. However, there may be lack of capacity. The idea to have a core group to delegate smaller units of technical experts for specific aspects was commented. The best working structure between EC and VN on FLEGT needs yet to be elaborated. However, from EC point of view, ICD under MARD will remain the point of contact for any FLEGT activities.

### Guidance on facilitation

There was agreement that in order to avoid conflicting information and misunderstandings, facilitation to support awareness raising for the FLEGT process shall be guided by MARD only. There are already diverse institutions involved in such activities using partly different information.

### Original ToR and actual activities

Some preliminary findings were briefly discussed. Those were inline with the presentation of Dr Sham during the MARD workshop in the morning. It was explained by the team that major changes compared to the outline of original ToR were agreed in advance of the scoping mission, i.e. to have a 2 week study tour to EU first before the scoping mission in VN should start and to increase the number of experts involved. Also the level of understanding, eg for technicalities around the implementation of a licensing scheme under a VPA or differences between FSC certification and independent third party verification of legality, within the relevant organizations involved in VN is generally not yet sufficient for detailed discussion on potential VPA-options for VN. The joint report is supposed to be submitted to EFI end of September, early October.

# Annex 8 Trade data of Vietnam's timber industry

By External Consultant James Hewitt

## List of contents

Section number	Heading
	Introduction
	Summary and conclusions
1.1	Production of industrial roundwood in Vietnam
1.1.1	Forests
1.1.2	Plantations
1.1.3	Reconciliation of production, trade and end-usage
1.2	Vietnam's imports and exports of wood-based products
2	Vietnam's production and exports of wood chips
3	Vietnam's imports of logs, sawn wood, veneer and plywood
4	Vietnam's exports of timber sector products
5	Vietnam's imports and exports of pulp and paper
6	Future supplies (from forest and plantations in Vietnam) and exports

## List of Exhibits

Exhibit number	Heading
1	Vietnam's production, imports, exports and end-usage of wood-based products (2008)
2	Vietnam's trade in selected wood-based products (by RWE volume)
3	Vietnam's trade in selected wood-based products (by trade value)
4	Vietnam's exports of wood chips
5	Vietnam's share in the wood chip imports of its leading export markets
6	Vietnam's imports of timber from high risk sources
7	Vietnam's imports of timber (country, by product)

- 8 Vietnam's exports of timber sector products (country, by product)
- 9 Vietnam's share in the wooden furniture imports of its leading export markets
- 10 Vietnam's imports of pulp and paper (country, by product)
- 11 Vietnam's exports of paper (by destination country)
- 12 Summary of quantities: Forestry Development Strategy (2006-2020)

### List of appendices

- A Legality in relation to Vietnam's imports of wood-based products
- B1 The EU's imports of wooden furniture from Vietnam and its leading competitors
- B2 Japan's imports of wooden furniture from Vietnam and its leading competitors
- B3 The USA's imports of wooden furniture from Vietnam and its leading competitors

## Introduction

This report evaluates trends in the supply of wood raw material to Vietnam's wood-based products industry, in reference to Vietnam's Forestry Development Strategy (2006-2020). In doing so, it considers the willingness of overseas consumer markets to purchase the output of that industry given competition from producers in other countries, procurement policies in end-user countries and changing attitudes towards the consumption of wood-based products. The report focuses primarily on the three products which account for the great majority of that output – wood chips, wooden furniture and paper.

The first section considers recent trends in the amount of wood-based products which Vietnam imports or exports in greatest quantity. It then places that trade in the context of industrial roundwood production from plantations and forest in Vietnam. Subsequently, it discusses the provenance of Vietnam's imports of wood-based products and the share of Vietnam in the imports of the markets to which most of the wood-based products which it exports are destined.

The text continues with an introduction to procurement policy in leading destination markets. It gives particular prominence to Voluntary Partnership Agreements as foreseen in the FLEGT Action Plan with the European Union. Subsequently, the report briefly discusses Vietnam's Forestry Development Strategy and suggests that Vietnam faces a reality different to that envisaged in the Forestry Development Strategy. It concludes with some notes on future supplies of wood from imports, and from plantations and forests in Vietnam, and considers legality issues in countries which export timber to Vietnam.

## Summary and conclusions

Vietnam's exports of wood-based products predominantly comprise wood chips, furniture and paper. Wooden furniture production in Vietnam tends to be more labour intensive and to add more value than Vietnam's exports of either wood chips or paper.

Furniture is largely destined for the export and accounts for almost all of the volume of wood-based products which are exported from Vietnam to the EU. As such, it is likely that the trade in wooden furniture will become the focus of any FLEGT agreement between Vietnam and the EU.

Whereas exports of chips and paper derive from timber grown on plantations and smallholdings in Vietnam, the great majority of the wood used in making furniture is imported from third countries. In some cases, the chain of supply of much of that imported wood is likely to involve illegality – making Vietnam's exports of wooden furniture vulnerable to consumers' increasing concern for legality and sustainability.

Vietnam however is likely to remain dependent on imports for most of the wood used in its export-oriented furniture industry. The quantity of wood from Vietnam's plantations which is used in the furniture industry (little more than 10% of the total during 2008) is constrained particularly by competition for raw material from the wood chip sector, the high cost of transportation between plantations and factories, and persistent difficulties in expanding the area and productivity of industrial plantations. (see Section 1.2)

Vietnam could decide to reduce its imports of wood from high risk sources by focusing more on supplies which have a lower risk profile. The level of risk depends both on the type of product being supplied as well as on the country or even region of origin.

In doing so Vietnam's export-oriented furniture industry could enhance its reputation as a leading supplier of certified wooden furniture.

The government of Vietnam could also decide to strengthen the engagement of its trading enterprises with suitable overseas suppliers so as to facilitate the provision of credible evidence demonstrating the legality and sustainability of the timber which they import. This is likely to be simpler for raw material grown on plantations than material from natural forests.

It could be advantageous to do so in a partnership with the EU, as the EU accounts for a substantial percentage of the export value of wooden furniture from Vietnam. The EU FLEGT programme aims to support countries like Vietnam, which export large quantities of wood-based products to the EU and which seek to gain preferential treatment on the EU market by demonstrating the legality and sustainability of those exports. The various policy options for doing so are spelled out in section 4 of the main report.

## **1 Vietnam's industrial roundwood production**

### **1.1.1 Forest**

The volume of industrial roundwood produced annually from Vietnam's forests is uncertain. Reflecting overexploitation in what remained of Vietnam's largely poor quality<sup>1</sup> forest, the annual volume authorised for felling was reduced during 2000 to 300,000 cubic metres<sup>2</sup> and to 150,000 cubic metres during 2007.<sup>3</sup>

This contrasts with assumptions that IRW production was nearer to one million cubic metres earlier this decade.<sup>4</sup>

Others estimate that annual saw log and veneer log production amounted to 350,000m<sup>3</sup> during each of the five years 2003-2007.<sup>5</sup> Given that at least some of the saw logs used by the furniture industry derived from plantations, this tends to confirm that IRW production from forest was less than 350,000m<sup>3</sup> during 2007.

Exhibit 1 (below) assumes 200,000 cubic metres (allowing for some salvage<sup>6</sup> removals and illegal felling<sup>7</sup>).

### **1.1.2 Plantations<sup>8</sup>**

It is unclear either how much industrial roundwood is produced from Vietnam's plantations or how much of this derives from smallholders as opposed to state or private enterprise. However, plantations are understood to account for the great majority of Vietnam's IRW production.

The range of volumes for Vietnam's IRW production from both forests and plantations is remarkably wide.<sup>9</sup>

One official source shows IRW production increasing to 3.0 million cubic metres in 2005 and 2006.<sup>10</sup> Of this two thirds is presumably from plantations given that that same source assumes that one million cubic metres is produced in forest.<sup>11</sup>

The FAO states that, during 2005, IRW production amounted to only 2.5 million cubic metres.<sup>12</sup>

These two sources and the preamble to Vietnam's Forestry Development Strategy 2006-2020 states that, at the time it was written, IRW production amounted to only 2.0 million cubic metres,<sup>13</sup> corroborate the estimate of 2.5 million cubic metres for plantations suggested in Exhibit 1 (below).

However, the FAO elsewhere considers that production reached a peak of 5.3 million cubic metres during 2005 and declined to 4.2 million cubic metres by 2007.<sup>14</sup> Further, targets set out by the Forestry Development Strategy for 2010 include annual IRW production from all sources of 9.7 million cubic metres.<sup>15</sup>

It is unclear how much, if any, rubberwood is included in these statistics of IRW production in Vietnam.<sup>16</sup>

Roughly 0.2 million cubic metres of the IRW produced from Vietnam's plantations for the timber sector is probably used in two fibreboard mills.<sup>17</sup> The establishment of at least one of these (state-owned) mills has been controversial.<sup>18</sup>

It is unclear how much sawn wood derives from plantations in Vietnam. Exhibit 1 (below) assumes 0.3 million cubic metres - so as to reflect that a large majority of the total volume of wood from Vietnam's plantations is used either as pulpwood in Vietnam or is exported as wood chips. Indeed, the RWE volume of wood chips exported from Vietnam during 2008 exceeded by roughly 50% the 2,5 million cubic metres which Exhibit 1 (below) suggests was produced from Vietnam's plantations during that year.<sup>19</sup>

The expansion of Vietnam's industrial plantations sector is constrained by a number of factors, which include<sup>20</sup>:

- High costs of transportation (due to the location and size of those plantations, and the forms of transportation involved in taking individual consignments to market (- plantations tend not to be commercially viable as sources of pulpwood if more than about 100km from the mill);
- Matters associated with land tenure<sup>21</sup>, and insufficient incentives<sup>22</sup> have tended to make local communities reluctant to welcome or establish plantations.<sup>23</sup>

Such factors, as well as lack of funding, have been a handicap to the expansion of Vietnam's industrial timber plantations under the government's Five Million Hectare Reforestation Programme (1998-2010).<sup>24</sup>

These constraints (and those introduced in section 9) will affect the outcome of "Vietnam's Forestry Development Strategy" (for the period 2006-2020). This is discussed in section 8.

### 1.1.3 Reconciliation of production, trade and end-usage

**Exhibit 1 – Vietnam’s production, imports, exports and end-usage of wood-based products (2008)<sup>25</sup>** Units in brackets - estimated RWE volume (million cubic metres)

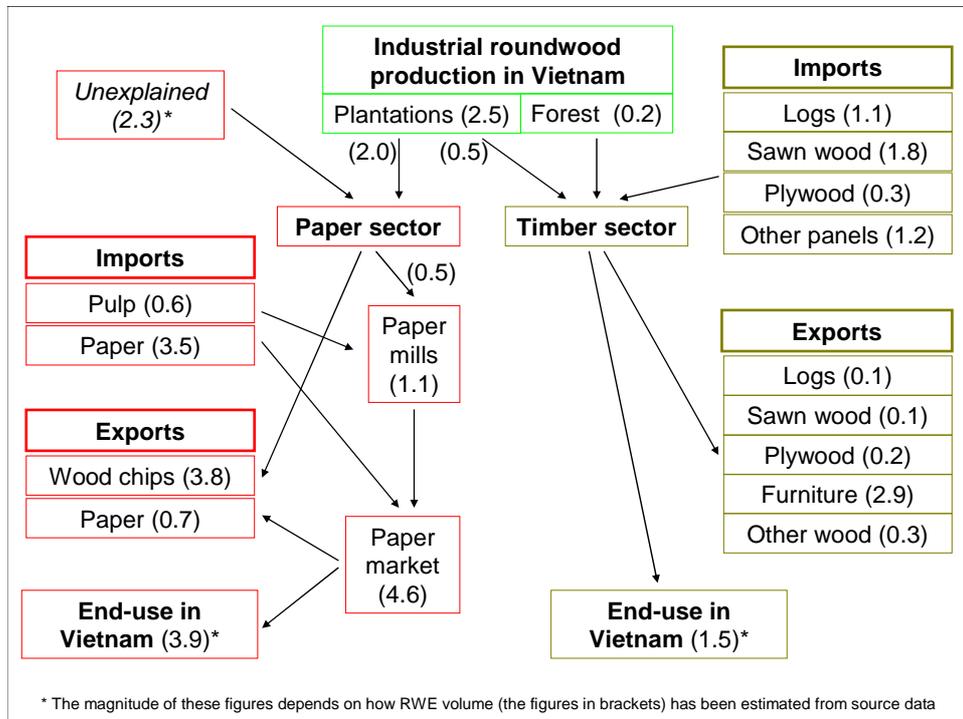


Exhibit 1 summarises estimates for the flow of wood-based products within Vietnam in each of two sectors. The “paper sector” relates to products which are destined for end-use as paper – namely wood chips, wood-based pulp and paper. The “timber sector” relates to all other wood-based products except those to be used as fuel.

The statistics for IRW production in Vietnam and their subsequent distribution to the paper or timber sectors are provided in Sections 1.1 and 1.2 (above).

The statistics for the RWE volumes imported and exported derive from the data used in Exhibit 2 (below). That data is based on statistics of trade published by many of the countries which supplied, or were the destination for, those imports and exports. Unit values for particular products were estimated by dividing the trade value reported by UN Comtrade for Vietnam’s imports and exports by the RWE volume of those countries’ supplies or imports.<sup>26</sup> Those unit values were then used in order to estimate the quantities which were supplied to or imported from Vietnam by other countries. Where appropriate, unit values were assumed based on the value and quantity of similar trade flows declared by other countries (notably China and the EU).

The 2.3 million cubic metres of “Unexplained” supplies is included in Exhibit 1 as a balancing item – solely because the quantity of wood chips exported from Vietnam is very much greater than can have been supplied from the amounts of IRW which official data indicate were produced in Vietnam. Although informal sources (not necessarily illegal) might account for some of the “unexplained” quantity; much, perhaps most, of the unexplained total is likely to be attributable to inadequacies in the recording and collating of statistics for IRW production.

The estimate for end-use in Vietnam’s paper sector is the sum of paper imports and production of paper made in Vietnam from wood-based pulp minus exports of paper.

The estimate (smaller than one might expect) for end-use in Vietnam’s timber sector is similarly the sum of timber sector imports and supplies to the timber sector from plantations and forest in Vietnam minus exports of timber sector products.

Both these end-use figures depend on the assumptions adopted when converting source data to roundwood equivalent volume.<sup>27</sup>

It would clearly be useful, at an early stage in FLEGT talks between the EU and Vietnam, to reconcile different sources of statistics and improve their quality.

## 1.2 Vietnam’s imports and exports of wood-based products

**Exhibit 2<sup>28</sup>** – Vietnam’s trade in selected wood-based products (by RWE volume)<sup>29</sup>

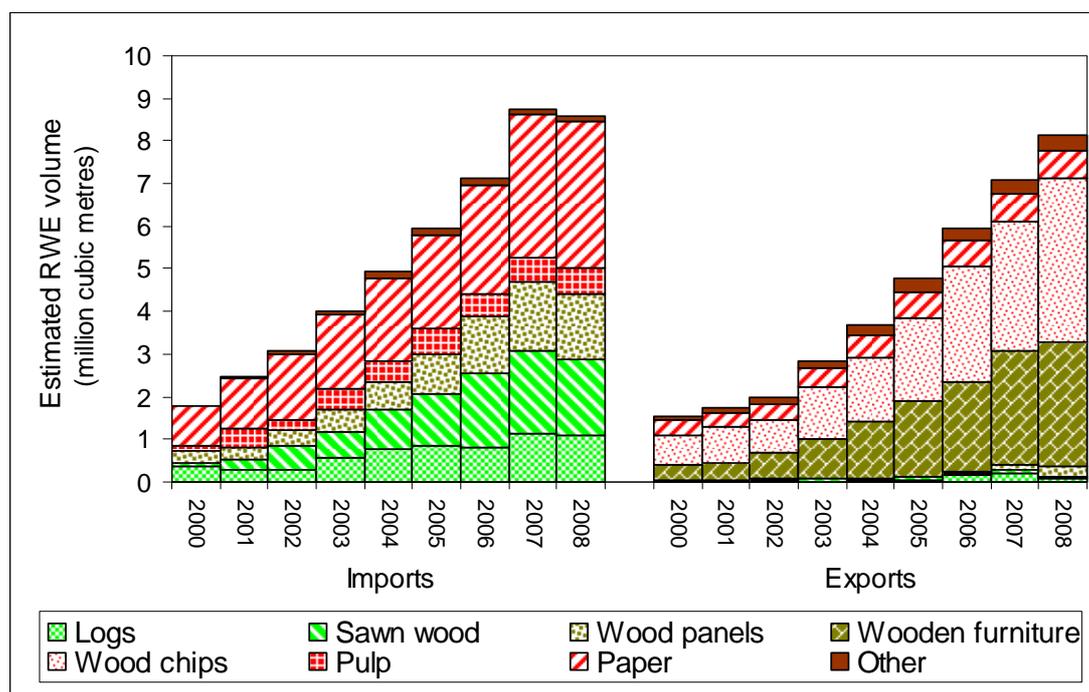
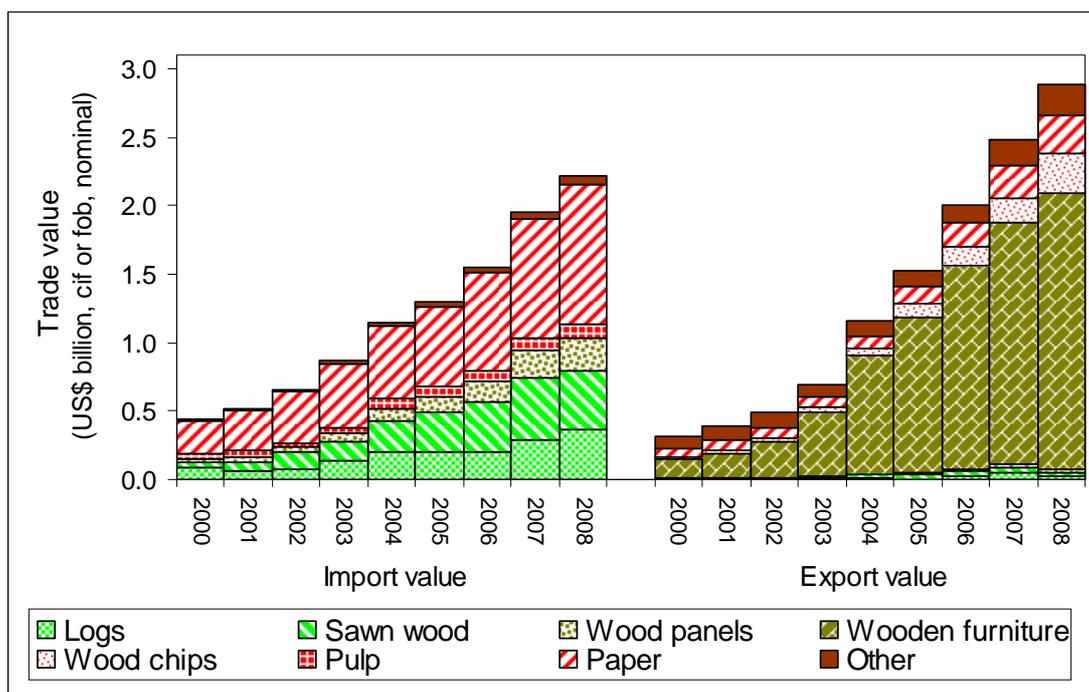


Exhibit 2 indicates that, in terms of volume, wood chips, paper and wooden furniture account for most of the wood-based products exported from Vietnam.<sup>30</sup> Whereas chips and paper are largely produced from trees grown in Vietnam, most furniture is made from imported timber. Vietnam’s exports of “other” wood primarily comprises sawn wood (which might have been in transit from neighbouring countries, particularly Laos).

The weight of Vietnam’s paper exports doubled between 2000 and 2008. In contrast the weight of Vietnam’s exports of wood chips increased six fold and its exports of wooden furniture increased even more rapidly.<sup>31</sup> The trend for paper and wooden furniture seems to have reversed during 2009.<sup>32</sup>

The RWE volume of the 145,000 ton of pulp which most of those mills were said to produce during the early years of this decade was perhaps 0.5 million cubic metres.<sup>33</sup> Exhibit 1 assumes that that same amount was used during 2008.

**Exhibit 3<sup>34, 35</sup>** – Vietnam’s trade in selected wood-based products (by trade value)



Comparison between Exhibits 2 and 3 indicates that, in terms of export value per cubic metre of RWE volume, wooden furniture exports generate roughly ten times as much revenue as wood chips. However, this does not imply that the export of wood chips is less appropriate than exporting wooden furniture, partly because the wood which is made into chips is unlikely to be suitable for use in wooden furniture (other than as particleboard or fibreboard). Further, the wooden furniture industry tends to be more labour intensive and to require greater sophistication in facilities and skills than the production of wood chips. In addition, the few large foreign enterprises associated with the export of Vietnam's wood chips might have more influence than the furniture industry over decisions about whether to log plantations for wood chips if it were feasible to use industrial roundwood from those plantations for use in the furniture industry.

## 2 Vietnam's production and exports of wood chips

Vietnam's exports of wood chips derive from plantations grown in Vietnam both on an industrial scale and by small-holders. As Vietnam's population rises and becomes more prosperous, so the value of land under food crops is likely to increase – reducing the attraction of converting such land to plantations.<sup>36</sup> In addition, the risk of long term investment in plantations needs to be compared with that of shorter term investments in alternative land uses whose output might have a broader and more accessible market – particularly if the former entails debt<sup>37</sup> and the latter does not. Further, small-holders might experience difficulties securing their rights to use the land.<sup>38</sup>

*Exhibit 4<sup>39, 40</sup> – Vietnam's exports of wood chips*

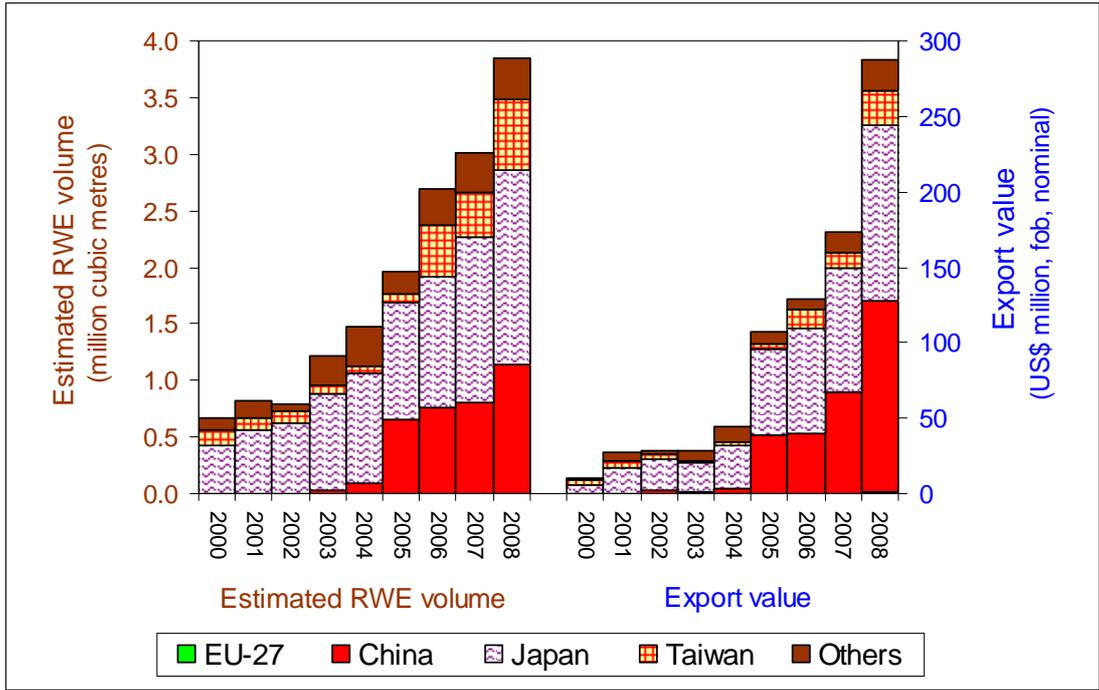


Exhibit 4 illustrates the very rapid increase in the quantity of wood chips which have been exported from Vietnam during recent years. Much of this is attributable to direct investment from abroad, primarily Japan<sup>41</sup>.

During the last few years, Japan's dominance as a destination for Vietnam's exports of wood chips has been eroded by China<sup>42</sup> and Taiwan.

**Exhibit 5<sup>43</sup> - Vietnam's share in the wood chip imports of its leading export markets**

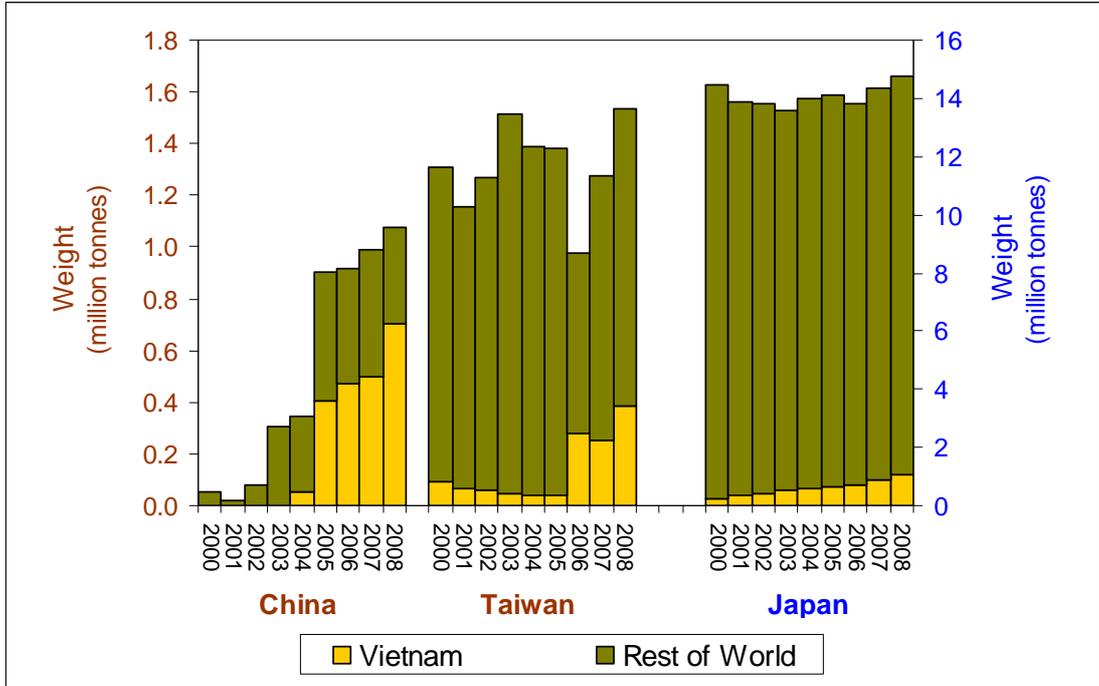


Exhibit 5 indicates that Vietnam's share in the weight of wood chips imported by those three countries is tending to increase. It is not clear whether Vietnam will be able to gain further market share through expanding its plantations sector, particularly if the most viable land is already committed and if those markets decline or grow more slowly.

The cost of promoting exports by providing subsidies (be they fiscal or indirect such as road improvements locally) to producers and exporters should be taken into account when assessing the benefits which might consequently flow from additional trade.

### **3 Vietnam's imports of logs, sawn wood and veneer**

During the late 1990s, Vietnam gained an unenviable reputation as host to companies who sought to profit from the sale of outdoor wooden furniture which was made from timber which derived from forest in Cambodia<sup>44</sup> - and implicitly therefore illegal and unsustainable.

A number of those companies opted to continue operating in Vietnam but switched their supplies of wood raw material to sources which were legal and demonstrably progressing towards sustainable management.<sup>45</sup>

Subsequently, in the context of outdoor wooden furniture, Vietnam's reputation has been transformed and much of its exports of such furniture are certified as legal and from a sustainably managed source under the Forest Stewardship Council ("FSC") scheme. An additional quantity is supplied by members of the Tropical Forest Trust ("TFT").<sup>46</sup>

The timber trade in a number of major importing countries, concerned about its reputation and legal liability, increasingly expresses preference for credibly certified products and is aware of the range of legality and sustainability verification schemes which are evolving in the market.<sup>47</sup> However, with some major exceptions, the indoor furniture sector tends to be less active in this regard.

In contrast to the outdoor furniture sector (whose exports have probably expanded much less rapidly than those of the indoor furniture sector) there is little evidence that FSC (or TFT) brands are being used as a marketing attribute by those who sell indoor furniture made in Vietnam. This apparent difference in procurement practice between the two sectors might narrow in response to implementation of the Lacey Act in the USA (the primary market for Vietnam's exports of indoor wooden furniture).

Much of the wood raw material from which Vietnam's exports of wooden furniture is made comes from plantations overseas which, if long-established and managed sustainably, are likely to be eligible for certification. The RWE volume of that imported plantation wood was, during 2008, roughly four times greater than that which was supplied to the timber sector from plantations in Vietnam (see Exhibits 1 and 2).

There is a low risk that products made wholly from rubberwood - if this derives from long-established plantations - will be illegal, particularly sawn wood (supplied from Thailand) and particleboard and fibre board (supplied primarily from Thailand and parts of Malaysia).

Some fibre board is made in Sarawak from the residues of mills. As such, the risk profile of that fibreboard is the same as that of the logs milled.<sup>48</sup>

**Exhibit 6<sup>49</sup> - Vietnam's imports of timber from high risk sources**

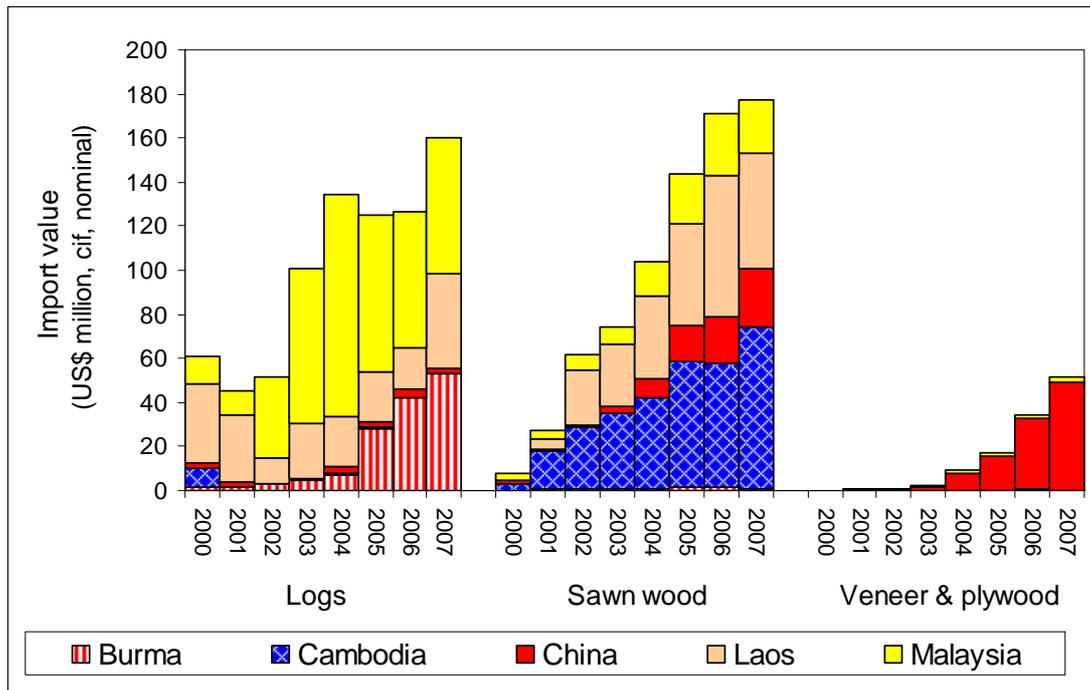


Exhibit 6 illustrates the trend in Vietnam's imports from five countries, selected here because, in terms of import value, they are amongst the leading suppliers of these products to Vietnam and because, for reasons indicated in Appendix A and elsewhere,<sup>50</sup> the probability that those supplies include illegal timber appears substantial.<sup>51</sup> The generally strong upwards trends shown Exhibit 6 – which describe import values as reported by Vietnam – do not necessarily match the trends in the corresponding RWE volume (due to changes in unit prices).<sup>52</sup> Unfortunately Vietnam chooses not to publish trade statistics from which one can readily assess the volume of its trade in timber<sup>53</sup> – and neither do Burma, Laos or Cambodia.

Almost all the timber which Vietnam imports from those three countries is likely to warrant the description illegal timber unless it is accompanied by a credible certificate of its legality.<sup>54</sup> Although some of that timber will probably be exported without further processing<sup>55</sup>, some will be transformed in Vietnam for subsequent export as furniture or ornaments. Given that their value per unit of weight is likely to be substantial, only a small portion of the volume imported from those countries is likely to be destined for end-use within Vietnam.<sup>56</sup>

When assessing the legality of uncertified tropical timber imports from Malaysia, one should bear in mind regional differences in administration and that chains of custody are incomplete.<sup>57</sup> Most of the production forest in that region is certified under a scheme<sup>58</sup> which has recently been endorsed by the PEFC.<sup>59</sup> The legality of some logging concessions, especially in Sarawak, is disputed – particularly concerning the customary rights of indigenous peoples. Further, although shipping documents might indicate that Malaysia is the source of a particular consignment of logs or sawn wood which a country imports, that timber might actually derive from forest in Indonesia.<sup>60</sup>

Some if not most of the timber which Vietnam imports from other high risk countries (notably Brazil<sup>61</sup>, Papua New Guinea,<sup>62</sup> the Solomon Islands) and from South Africa and Uruguay are likely to derive from plantations, some of which are long-established. Some might be FSC - certified. Those imports are unlikely to comprise rubberwood and are likely to be made into

outdoor wooden furniture. If, as likely, Vietnam is a leading destination for timber which is exported from those plantations, then there might be little scope for Vietnam to increase its imports of their output.

**Exhibit 7<sup>63</sup>** – Vietnam’s imports of timber (country, by product)

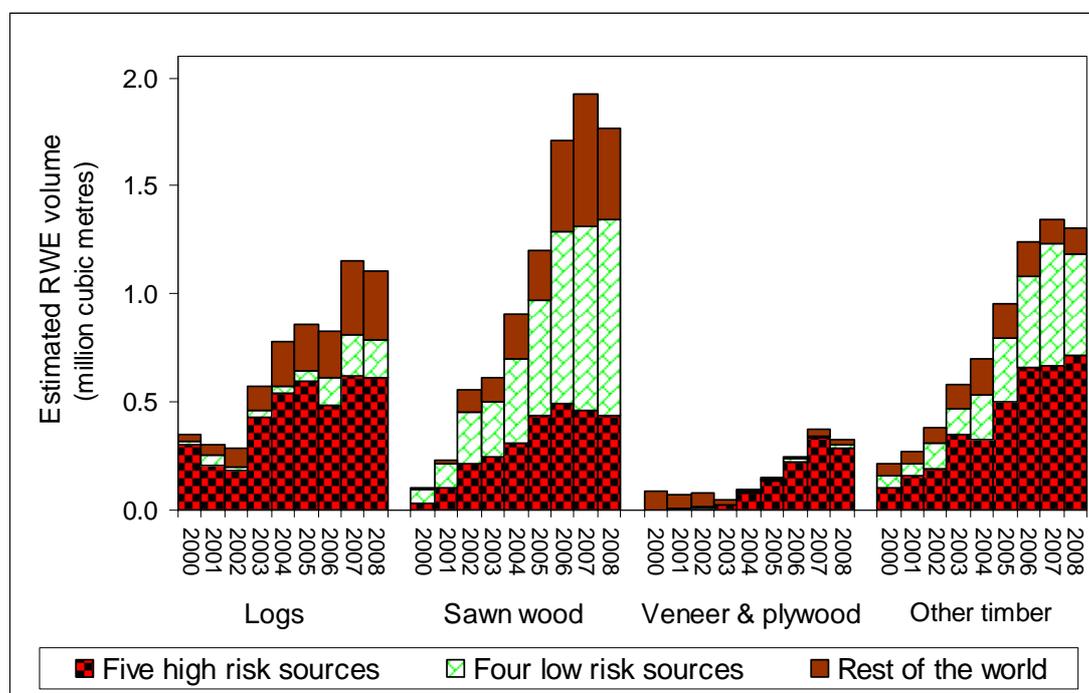


Exhibit 7 contrasts the quantity of timber imported from five high risk sources<sup>64</sup> (Burma, Cambodia, China, Laos, and Malaysia) with Vietnam’s imports from four low risk sources (the EU, New Zealand, Thailand<sup>65</sup> and the USA). It indicates that high risk countries supply a large proportion of Vietnam’s timber imports.

## 4 Vietnam's exports of timber sector products

*Exhibit 8<sup>66</sup> – Vietnam's exports of timber sector products (country, by product)*

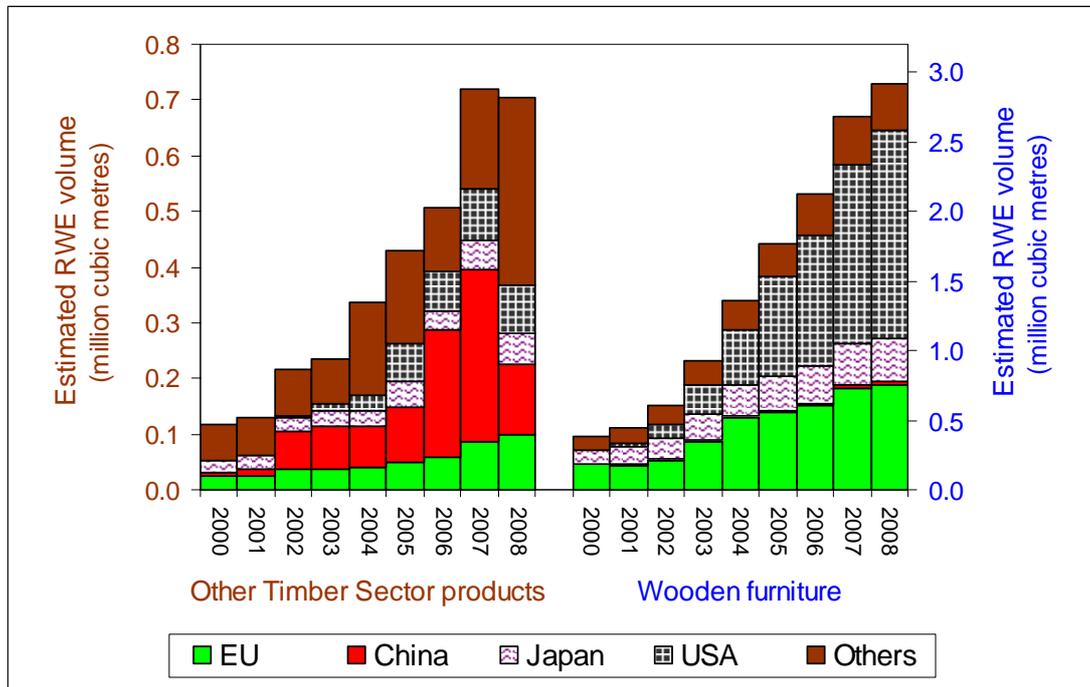


Exhibit 8 shows that three countries (the EU, Japan and the USA) account for the great majority of Vietnam's exports of wooden furniture exports – and that wooden furniture accounts for the great majority of Vietnam's timber exports.

The quantity exported has increased very rapidly, particularly to the USA whose share of the total rose from zero to 50% between 2000 and 2008.

The quantity exported to the USA has been driven particularly by the lifting of a ban on trade between Vietnam and by the USA, by (temporary) bilateral measures to promote trade between the two countries and, more recently, by enterprises which have relocated from China to Vietnam in order to supply wooden bedroom furniture to the USA.<sup>67</sup> They have done so partly in response to anti-dumping duties being imposed in the USA. This migration from China presumably contributes to perceptions that Vietnam is a high risk supplier of wooden furniture.

Logs<sup>68</sup> and sawn wood comprise much of the timber other than wooden furniture which Vietnam exports. (As Exhibit 3 shows, the RWE volume involved is very much smaller than that exported as wooden furniture.) China seems to be their leading importer.<sup>69</sup> Vietnam's exports of logs and sawn wood warrant being regarded as from a high risk source given that they have probably been either imported into Vietnam from neighbouring countries or felled from natural forest locally.

Exhibit 9<sup>70</sup> – Vietnam’s share in the wooden furniture imports of its leading export markets

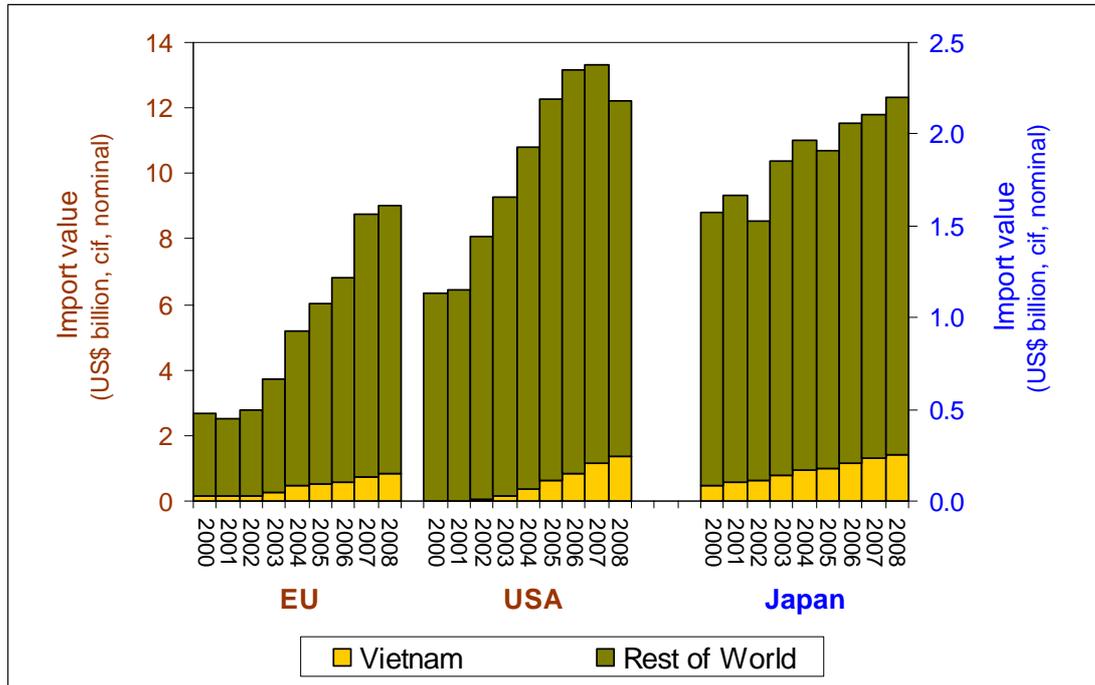


Exhibit 9 indicates that, since the early years of this decade, Vietnam has accounted for an increasing share in the import value of wooden furniture supplied to the USA (other than from Canada). In contrast, Vietnam’s share of that which was supplied to the EU from outside the EU and to Japan changed little. This implies that Vietnam has not been conspicuously more successful than its competitors in supplying wooden furniture to the EU and Japan, and that Vietnam’s exports to those markets are likely to increase if they expand and *vice versa*.

Imports of most types of wooden furniture by those markets have declined during the last year or so. The Appendix illustrates, for each of the four types of wooden furniture which Vietnam exports in greatest quantity, the trend in the imports made by the EU, Japan and the USA from Vietnam and other countries in East Asia against which Vietnam competes.

The Exhibits presented in the Appendix demonstrate that the market for those types of wooden furniture has tended to decline since the end of 2007. It is likely that the market has declined further during 2009.

Although it is unclear how much outdoor wooden furniture Vietnam (and its competitors) export, the market for such furniture is likewise in decline.<sup>71</sup>

The future strategy of Vietnam’s wooden furniture industry will of course be shaped by many factors. These include the availability and price of wood raw material, concern about its legality and sustainability, end-users’ attitudes towards consumption and a lack of suitably skilled personnel (which will handicap the industry’s ability to respond to, or stimulate, changes in the market – which is driven particularly by fashion and marketing).<sup>72</sup>

Such factors also constrain the evolution of the export-oriented wooden furniture industry of the countries against which Vietnam competes.

Given that plantations in Vietnam appear to be scarcely viable as a source of pulpwood for Vietnam’s existing paper mills, they might for similar reasons be unable to supply wood raw

material for wood-based panel mills in sufficient quantity and at low enough cost to make those mills' output commercially attractive to the furniture industry.

Teak is one of the very few species which has been successfully cultivated in plantations in the tropics and which is used as sawn wood in the furniture industry. It is unclear whether teak grown by small holders in Vietnam would be competitive with the teak grown on industrial plantations in the countries against which Vietnam competes – notably Indonesia and Thailand.<sup>73</sup>

It is unlikely that sufficient such teak will be planted so as to both reach maturity by 2020 and account for a substantial share of the wood raw material supplied to Vietnam's furniture industry.

Further, as in other countries, trees which are being cultivated so that they mature sufficiently for use as sawn wood in the furniture industry will have a market value as fuel wood or wood chips. Ensuring that those trees are not felled prematurely – including as theft – will be a challenge.

## 5 Vietnam's imports and exports of pulp and paper

*Exhibit 10<sup>74</sup> – Vietnam's imports of pulp and paper (country by product)*

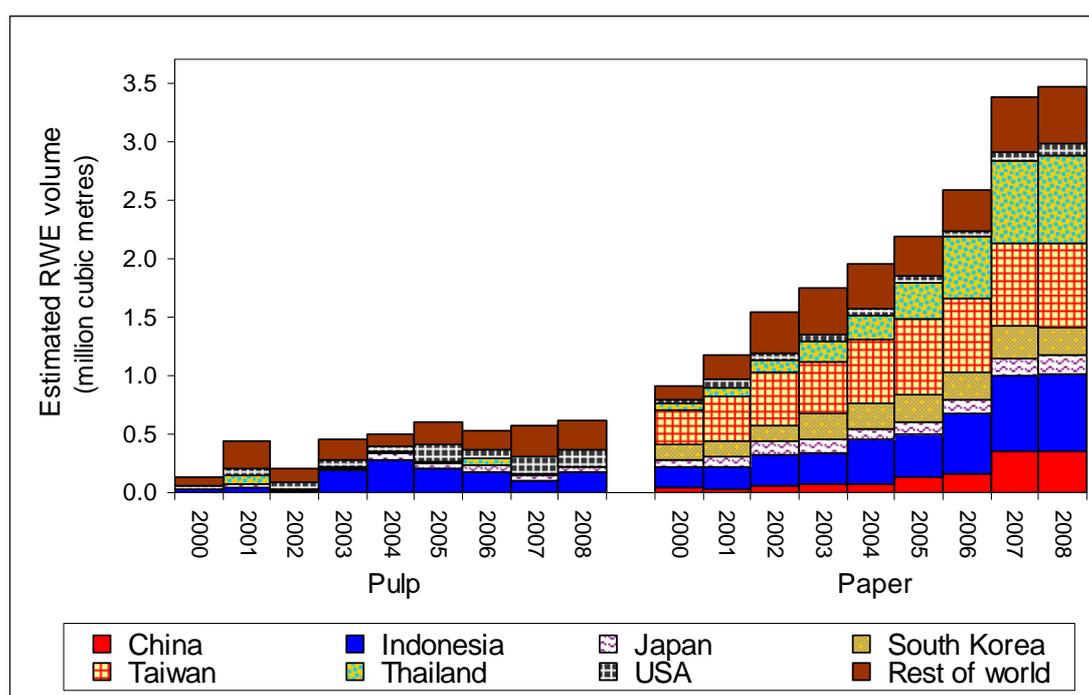


Exhibit 10 indicates that Indonesia is one of Vietnam's leading suppliers of pulp. Given the controversial nature of supplies of pulp and paper from Indonesia, there is a risk that paper made for export by mills which procure pulp from that country will correspondingly be perceived as controversial.

Vietnam's exports of paper are not large by international standards and probably accounted for about 10% of the RWE volume of wood-based products which Vietnam exported during 2008. Vietnam does not export pulp.

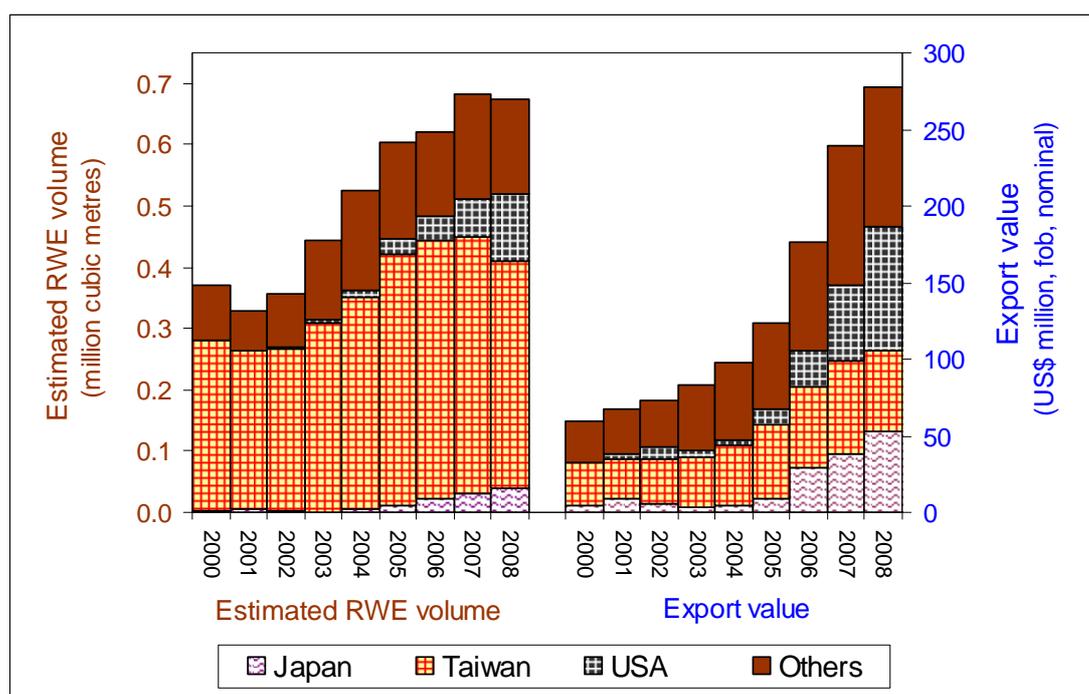
As Exhibit 11 (below) indicates, Taiwan accounts for most of the total by weight, but the quantity which Taiwan imported changed little between 2000 and 2008.<sup>75</sup> The USA is the leading destination in terms of export value.<sup>76</sup> Japan is the only other country to which a substantial share of Vietnam’s paper exports is destined. Vietnam’s share in the imports of paper by Japan and the USA is small.

Although Vietnam has several pulp mills<sup>77</sup>, supplies of imported pulp seem more competitive than those local mills in supplying pulp to Vietnam’s paper industry – despite the foreign exchange cost of those imports. However, some of those costs are offset by the foreign exchange which Vietnam receives from the export of wood chips.

If the markets to which Vietnam exports wood chips contract, this might benefit Vietnam’s pulp industry – through greater availability of pulpwood (implicitly at prices which are lower than those which are now current). However, the cost of transporting pulpwood grown in Vietnam to the mills will remain a major constraint.<sup>78</sup>

Pulp mills currently proposed by Japanese paper groups (which are major importers of chips from Vietnam) might reduce those groups’ imports of such chips from Vietnam. However, the chips which they would have imported might be used as raw material for the proposed mills<sup>79</sup>, thereby minimising any impact on production of wood chips in Vietnam.

**Exhibit 11<sup>80</sup>** – Vietnam’s exports of paper (by destination country)



A remarkable number of proposals have been made to establish new paper mills in Vietnam.<sup>81</sup> Those which seek to make packaging for products made in Vietnam for export have perhaps been amongst the most credible of these.<sup>82</sup> However, the leading such proposal has now been postponed<sup>83</sup> – reflecting the correction in the world economy which has followed recent years of unsustainable growth.

The source of the pulpwood or pulp which would be used by these mills is unclear. The finance industry (and its advisers) is increasingly concerned about the reputational and other risks associated with investing in paper mills whose pulp supplies do not all derive from waste

paper and/or from legal and sustainably managed sources. Such concerns might constrain the expansion of Vietnam’s paper industry.

## 6 Future supplies (from forest and plantations in Vietnam) and exports

Future supplies of industrial roundwood from within Vietnam will be affected by Vietnam’s Forestry Development Strategy (2006-2020)<sup>84</sup>.

Exhibit 12 summarises the quantities of various wood-based products which presented in the Forestry Development Strategy.

**Exhibit 12 – Summary of quantities: Forestry Development Strategy (2006-2020)<sup>85</sup>**

	By 2010	By 2020
<b>From plantations and forest in Vietnam</b>		
Large diameter (for sawn wood or veneer)	3.7 million m3	10 million m3
Small diameter (including for panels and chips) <sup>86</sup>	6 to 9.7 million m3	10 to 14 million m3
- of which pulplogs	3.4 million m3	8.3 million m3
<b>From imports and/or grown in Vietnam</b>		
Imports of “timber”	5.0 million m3	3.5 million m3
Exports of “wood products”	-	3.4 million m3 <sup>87</sup>
Exports of “wood products”	US\$ 3.4 billion	US\$ 7 billion
Sawn wood production	4 million m3	6 million m3
Pulp production (60% of “demand”)	0.85 million ton	2 million ton
Imports of pulp (assumed)	c. 0.6 million ton	c. 1.3 million ton

The rationale behind those quantities is not readily apparent. As indicated below, a number of them are unlikely to be achieved.

Although efforts to restore and protect natural forest are being made in parts of Vietnam, pressure to convert what remains is substantial. Given that little of Vietnam’s wooden furniture is made from such timber, and given the time it takes for trees in natural forest to grow, it is unlikely that much of the large diameter timber envisaged in the Forestry Development Strategy (2006-2020) will derive from Vietnam’s forests.<sup>88</sup>

Vietnam’s competitors will tend to face the same issues as Vietnam concerning future supplies and export markets. In relation to the supply of tropical timber, Vietnam is likely to remain at a disadvantage to competitors in Indonesia and Malaysia due to their local supplies.

The frequency of reports of illegal logging in Vietnam's forest indicates that fundamental improvements in governance of the timber industry might be necessary if wood grown in that forest is to be acceptable in the country's current primary export markets.

Exporters of wooden furniture (and not only those in Vietnam) will increasingly find that they will lose business if they can not credibly demonstrate that their wood raw material is from legal and sustainable sources.

Certification, particularly to FSC standards, can help in this respect. However, it would be fraudulent for suppliers to imply that, if they have FSC Chain of Custody certificates, any of their products are certified (unless they also provide proof that the wood raw material from which those products is made from an FSC-certified plantation or forest). Increasingly, the FSC is clamping down on Chain of Custody fraud. One major group has been blacklisted by the FSC.<sup>89</sup> Exposed can have an immediate, deep and lasting impact on offenders and also on those who make similar products in the country concerned.<sup>90</sup>

In the short term future, the volume of standing timber in Vietnam's plantations might well increase without the need for further land conversion.<sup>91</sup> Reasons include:

- trees growing on land which has recently been converted to plantations will mature;
- exports of wood chips to some markets have declined since late 2008 or early 2009; and
- usage by the furniture industry might have declined (due particularly to recession in the industry's primary markets – the USA and the EU).

In the longer term, government plans to greatly increase the area of Vietnam's industrial timber plantations will tend to increase the quantity of wood available to the timber and paper sectors. However, as explained in Section 1.2 (above), such plans have not tended to be successful.

Food production and fuel wood are increasingly likely to compete for land with the plantations which are currently planned as raw material for the paper and timber sectors if Vietnam's population continues to grow and becomes wealthier.

In addition, plans for rubber plantations might overlap with those for pulpwood or panels.<sup>92</sup>

Prospects for the future of Vietnam's timber and paper sectors will also be shaped by Vietnam's export markets.

Much of the growth in Vietnam's exports between 2000 and 2007 was attributable to factors which no longer have much impact. Amongst the most notable of these were incentives which promoted trade with the USA, and a shift in the USA's supply of wooden bedroom furniture from China to Vietnam in response to the imposition of anti-dumping duties by the USA.

Competition with manufacturers in other (particularly East Asian) countries is likely to intensify in the markets to which Vietnam exports wooden furniture, especially if the current recession persists.<sup>93</sup> The potential greatly to increase sales in markets elsewhere might be limited.<sup>94</sup>

Vietnam's paper sector is likely to remain uncompetitive in export markets. The most realistic of the proposed paper mills are likely to use waste paper as their primary source of fibre. Consequently the RWE volume of the sector's exports is unlikely greatly to increase. The sector is unlikely to increase its usage of pulpwood grown in Vietnam.

Vietnam's exports of wood chips are likely to continue accounting for most of the IRW produced in Vietnam's plantations.

## Appendix A Legality in relation to Vietnam's imports of wood-based products

This section provides an introduction to the supply of wood-based products in the countries from which Vietnam imports substantial quantities of such products. Where appropriate and if suitable information is available, the text considers legality in the supply of wood-based product from these countries.

It provides *estimates* of the quantity of timber which were imported into Vietnam during 2008 from each of these countries. Unless otherwise indicated, these estimates are based on statistics abstracted from the UN Comtrade database.<sup>95</sup> The weight of pulp and/or paper which China and Indonesia supplied Vietnam during 2008 are also provided – those two countries' supplies of those products have a high risk profile.<sup>96</sup>

Several countries each export only a very small proportion of the timber which is exported to Vietnam – making it difficult for them to compete with those who supply much larger quantities (due to economies of scale). It is likely therefore that those supplies are procured for specific reasons, the primary one being certified timber suitable for outdoor furniture (particularly teak and some eucalyptus).

Most reports concerning trade in illegal timber cite estimates of the content of illegal timber in the exports of a given supplying country. However, those estimates can be misleading.<sup>97</sup> For example, rubberwood from long established plantations is unlikely to warrant being classified as illegal; concerning some countries (notably the Republic of Congo) one can choose whether to import timber from concessions which either are invalid or are being logged by entities ineligible to do so or to import from FSC-certified concessions; in some countries (notably Russia and Malaysia) the nature and extent of illegality in one region might differ from that in other regions; laws may change (as in Brazil and Peru) or be better implemented (as in Indonesia).

Consequently, because few of these estimates are likely to be relevant to Vietnam's imports, none are mentioned in the following text. However, the text implicitly indicates where particular scrutiny of supply chains might be warranted.

### Argentina (20,000m<sup>3</sup> sawn wood)<sup>98</sup>

The sawn wood which Argentina exports to Vietnam is likely to derive from plantations. One third is softwood. Although parts of Argentina's plantations sector are controversial,<sup>99</sup> some plantations are FSC-certified.

### Australia (30,000m<sup>3</sup> sawn wood, 30,000 tonne fibre board)

All of the sawn wood and fibre board which Australia exports to Vietnam will derive from plantations. Although much of the FSC-certified sawn wood which is produced in Australia enters end-use domestically, some is exported. Australia's large plantations sector tends to be well regulated.

### Brazil (12,000m<sup>3</sup> logs, 100,000m<sup>3</sup> sawn wood)<sup>100</sup>

It is understood that most of the timber which is imported into Vietnam from Brazil comprises FSC-certified wood grown on plantations. However, more than half the volume of logs comprises tropical hardwood and therefore has a high risk profile

Although some FSC-certified tropical timber is also available in Brazil, most of this is understood to comprise plywood. Roughly 80% of Brazil's industrial roundwood production from tropical forest enters end-use in Brazil. Most of this is logged either informally or under private permit (rather than from concessions administered by government). Several of these permits were suspended subsequent to a government review. Forestry laws and administrative structures in the Amazon region are in flux. An official review subsequent to the introduction of new laws in 2006 found that 70% of logging in one region was illegal.<sup>101</sup>

#### Burma (?200,000m<sup>3</sup> - US\$50 million logs)<sup>102</sup>

Reports on Burma's exports of timber indicate the extent of illegal timber supplied by that country – and its links with conflict. Their focus tends to be overland trade with China, which, given that the border is supposed to be closed to timber imports from Burma, is illegal. It is likely that illegality is associated with Burma's exports of timber to other destinations – including countries which supply Vietnam (notably Malaysia and Thailand).

A number of countries have trade sanctions against Burma. These include the primary markets for Vietnam's timber sector exports - the EU and the USA – which implies that those countries' imports from Vietnam of products made at least partly from Burmese timber should be deemed illegal.

#### Cambodia (?150,000m<sup>3</sup> - US\$70m sawn wood)<sup>103</sup>

It has been repeatedly shown that most export-oriented logging in Cambodia is illegal (and unsustainable). The evidence has been sufficient to affect the quantity and quality of overseas development assistance provided to Cambodia and has led to severe criticism of the World Bank.<sup>104</sup> Those in power were complicit in the illegal trade.<sup>105</sup> A ban on the export of timber from Cambodia was announced during mid-2009.<sup>106</sup> If this is comprehensive and sustained, any timber which enters Vietnam from Cambodia should be considered illegal. It would be reasonable to assume that documentation which suggests that a consignment is in transit is fraudulent.

#### Cameroon (53,000m<sup>3</sup> logs)<sup>107</sup>

A substantial proportion of the timber which is exported from Cameroon grew in neighbouring Central African Republic and the Republic of Congo (Brazzaville). Some of this is declared by importing countries as imports from Cameroon.

Much of the timber from Cameroon's forest that is exported grew in concessions managed by foreign enterprises, most of which are implementing officially approved management plans.<sup>108</sup> Supplies from an increasing number of these are either FSC-certified or are validated for legal origin and/or traceability under a number of other schemes. However, four large concessions whose output is validated under one such scheme were allocated illegally.<sup>109</sup>

Also the management of other large and medium sized concessions is controversial.

Of further concern to importers is the large volume of timber which is supplied (perhaps mainly for end-use within Cameroon) less formally, particularly from temporary concessions (most of which have been improperly allocated. This makes it especially important for importers in Vietnam to ascertain the location and nature of the concession(s) from which they seek to import timber.

Judging by reports from the Independent Observer, poor forest governance in Cameroon is widespread.<sup>110</sup>

Negotiations for a VPA between Cameroon and the EU have been taking place for a number of years. A VPA is likely to be agreed during 2009.

#### Canada (20,000m<sup>3</sup> sawn wood)

Canada's exports tend to be regarded as having a low risk profile. Substantial volumes of certified timber are available under either the FSC or Canadian Standards Association "CSA" schemes.

#### Chile (110,000m<sup>3</sup> sawn wood)<sup>111</sup>

Although supplies of timber from Chile tend to be considered as having a low risk profile, Chile's plantations sector is controversial.<sup>112</sup>

#### China (30,000m<sup>3</sup> sawn wood, 110,000m<sup>3</sup> plywood, 70,000 tonne fibre board, 100,000 tonne paper)<sup>113</sup>

China is widely regarded as a major hub for trade in illegal timber. Concern as to the legality and sustainability of wood-based products imported into China is growing but generally seem lower than in most other major importing countries. It is said that in the order of half of the industrial roundwood produced in China is illegal<sup>114</sup> and that roughly one third of China's imports some years ago were illegal.<sup>115</sup> It is likely that, during 2008, the proportion of the RWE volume of timber sector products exported from China – taking into account factors which were probably not taken into account in the earlier estimate – is nearer 40%.<sup>116</sup>

#### Republic of Congo (Brazzaville) (7,000m<sup>3</sup> logs)<sup>117</sup>

Much of the timber which is supplied (through Cameroon) from the northern forest region of the Republic of Congo is from logging concessions which are now FSC-certified.

Most of the other tropical timber which is exported from the country, particularly from the southern forest region, is likely to be from unsustainable sources and illegal. The mix of species supplied from the southern and northern forests differ.

Illegality in the southern forest region includes invalid allocation of concessions, concessionaires having inappropriate corporate structures, logging being carried out without a credible (and approved) management plan or by unauthorised contractors.<sup>118</sup>

The VPA which the Republic of Congo has agreed with European Commission applies not only to exports to the EU but to all countries (including Vietnam). It covers all wood-based products.<sup>119</sup>

#### Costa Rica (20,000m<sup>3</sup> logs)

Most, perhaps all of the logs which Vietnam imports from Costa Rica are likely to be of teak (i.e. grown on plantations). A number of Costa Rica teak plantations are FSC certified.

#### Ecuador (2,000m<sup>3</sup>)

The plantations sector in Ecuador is controversial<sup>120</sup>. However, some plantations (including of teak and balsa) are FSC-certified.

#### El Salvador (2,000m<sup>3</sup>)

No plantations or forest in El Salvador are FSC-certified.

#### European Union (30,000m<sup>3</sup> logs, 50,000m<sup>3</sup> sawn wood)

Much of the timber produced within the EU is certified under either the FSC or Programme for the Endorsement of Forest Certification (“PEFC”) schemes.<sup>121</sup> Roughly 40% of the volume of sawn wood which the EU exported to Vietnam during 2007 derived from Sweden, which accounts for most<sup>122</sup> of the area of FSC-certified forest in the EU. Finland supplied a further 15%. Germany supplied almost two thirds of the logs (predominantly hardwood) which were exported from the EU to Vietnam during 2007. The procurement policies of trade associations and governments are stimulating an increase in the availability across the EU of timber which is either certified or verified as legal – whether for local end-use or export. Supplies from most EU member states are considered to have a low risk profile.<sup>123</sup>

#### Guatemala (5,000m<sup>3</sup> logs)

The woodland of a number of groups of small holders and communities in Guatemala is FSC-certified.

#### Indonesia (7,000 m<sup>3</sup> plywood, 30,000 tonnes fibre board, 40,000 tonnes wood pulp and 190,000 tonnes paper)<sup>124</sup>

Indonesia prohibits the export of logs and most types of sawn wood. However, substantial volumes of logs are still smuggled out of Indonesia, particularly to Malaysia<sup>125</sup> (including its Free Trade Zones) for onward shipment, perhaps after milling and with documentation which disguises their country of origin.

During recent years, the volume of illegal timber exported from Indonesia has declined substantially. Reasons for this include a contraction in the market for timber from Indonesia (partly due to competition from China), exhaustion of Indonesian forest, efforts to minimise the procurement of illegal timber by the trade in some importing countries (primarily the EU), and efforts to implement the law in Indonesia.

In contrast, the quantity supplied to the paper sector has changed little. Tropical timber remains a major source of pulpwood for Indonesia’s mills (whose establishment without an assured supply of pulpwood has been at least controversial). The plantations which supply those mills are also controversial, especially those on peaty soil.

Very few logging concessions have been gazetted.<sup>126</sup> Several are being logged informally - not always on behalf of their concessionaire (particularly if the concessionaire’s title is no longer valid). Processes by which concessions are allocated are controversial. Timber is “salvaged” from forest conversion projects which might not have been properly implemented or authorised.

Although the Indonesian government publishes figures for the authorised “harvest quota” (annual allowable cut),<sup>127</sup> these are substantially lower than the volumes actually logged. Clarification of what the annual quota relates to would be helpful.

Substantial volumes of timber are still smuggled out of Indonesia, particularly to Malaysia<sup>128</sup> (including its Free Trade Zones) for onward shipment (perhaps after milling). Strange sentence: the act of smuggling is the evasion of the export ban.

The plantations from which the teak used in making the (outdoor) wooden furniture which Indonesia exports used to be FSC certified, but all their FSC certificates were withdrawn shortly after their management was changed. With the support of the Tropical Forest Trust, some teak plantations have since been certified, and timber from them is available for export either with an FSC Chain of Custody certificate or with a certificate of Verified Legal Origin (“VLO”)<sup>129</sup>.

The Indonesian government has recently introduced a legality assurance scheme (“SVLK”)<sup>130</sup> in order to replace its former system of documenting the flow of wood-based products – due in part to the susceptibility of that (BRIK) documentation to fraud and partly also to reflect changing requirements in Indonesia’s export markets,

Although VPA negotiations have been taking place for some years, it is unclear whether or when Indonesia might agree to a VPA.

#### Ivory Coast (20,000m<sup>3</sup> logs)

Ivory Coast is recovering from a period of armed conflict. This handicaps the government’s ability to manage timber production and ensure legality in the sector. It is unclear how much of the country’s timber exports derives from formal concessions. The export of logs is prohibited – unless they derive from plantations (in which case they are likely to be of teak).

#### Laos (?150,000m<sup>3</sup> – US\$40mi logs and ?100,000m<sup>3</sup> – US\$50mi sawn wood)<sup>131</sup>

Laos prohibits the export of logs and sawn wood originating from natural forest. Salvage timber from the sites of hydroelectric projects tends to be associated with illegality.<sup>132</sup> Timber which suppliers describe as deriving from such sites might be from elsewhere. It is unclear how much, if any, of the timber which Vietnam imports from Laos grew in plantations (a number of which may have been improperly authorised and implemented).

#### Malaysia (logs: 350,000m<sup>3</sup> [240,000m<sup>3</sup> Sarawak, 110,000m<sup>3</sup> ?Sabah]; sawn wood 50,000m<sup>3</sup>; Particleboard 120,000m<sup>3</sup> [40,000m<sup>3</sup> panels Peninsular Malaysia]; fibre board 290,000m<sup>3</sup> [190,000m<sup>3</sup> Peninsular Malaysia])<sup>133</sup>

At least some of the logs and sawn wood which documents claim is imported from Malaysia might have grown elsewhere, particularly Indonesia. The similarity in mix of species found in the forests of Malaysia and Indonesia adds to the difficulty of identifying the origin of such wood.

Such is demand for certified tropical timber that any which is exported from Malaysia with Chain of Custody is almost certain to be both supplied under contract to specific factories and, given the chain of custody, easily verifiable.

Salvage timber from forests which are being converted might have a low risk profile but its legality will of course depend in part on whether the forest has been properly authorised for conversion<sup>134</sup> and the methods used to clear the land were legal. Such timber accounts for a

large proportion of industrial roundwood production in Sarawak – whose timber industry is the most controversial in Malaysia.

Exports from Sarawak are controversial particularly given the lack of implementation of laws in relation to native customary rights,<sup>135</sup> the failure to audit the supply of logs from forest gate back to stump<sup>136</sup>, and the processes by which concessions have been allocated.<sup>137</sup>

Almost all the Permanent Reserve Forest in Peninsular Malaysia is certified under the Malaysia Timber Certification Scheme (“MTCS”).<sup>138</sup> However, during 2008, less than 5% of that region’s IRW production was exported with an MTCS Chain of Custody certificate.<sup>139</sup> That percentage would tend to rise if a larger price premium were available to those supplying the MTCS-certified timber or if importers demanded a full chain of custody.

The risk profile of Sabah’s exports of logs and sawn wood tends to be regarded as between that of Sarawak and Peninsular Malaysia. However, some forest and a plantation in Sabah are FSC-certified.

Most of the wood-based panels which are exported from Peninsular Malaysia comprise rubberwood and as such has a low risk profile.

It is expected that a VPA between Malaysia and the EU will soon be agreed.

#### New Zealand (15,000m<sup>3</sup> logs, 180,000m<sup>3</sup> sawn wood, 25,000m<sup>3</sup> fibre board)<sup>140</sup>

New Zealand’s timber exports derive predominantly from plantations of radiate pine.<sup>141</sup> A substantial area of these is FSC-certified.<sup>142</sup> Although it is unlikely that New Zealand’s timber exports include illegal timber, the rate of increase in logging which has taken place to supply China during the last year or so may have put pressure on New Zealand’s plantations.

#### Panama (2,000m<sup>3</sup> logs, 1,000m<sup>3</sup> sawn wood)

Vietnam’s imports of timber from Panama are likely to comprise plantation teak.

#### Papua New Guinea (?100,000m<sup>3</sup> – US\$20mi logs)<sup>143</sup>

The over-riding conclusion of the Government of Papua New Guinea’s own forestry review process is that, although all timber harvesting operations may be officially licensed, there are serious issues of legal non-compliance at almost every stage in the development and management of these projects. For these reasons the majority of forestry operations cannot credibly be characterised as complying with national laws and regulations.<sup>144</sup>

These illegalities are not taken into account by a national scheme<sup>145</sup> which verifies the legality of logs being exported.

It is unclear how much, if any, timber from Vietnam imports from plantations in Papua New Guinea. The process of authorising and implementing the conversion of forest to those plantations might not have been compliant with the law – likewise concerning any salvage timber which derives from land converted to palm oil or other non-timber crops. One (controversial)<sup>146</sup> wood chip plantation accounts for most of the area of PNG’s timber plantations. There is a small number of teak plantations.<sup>147</sup> None of these are FSC-certified

#### Solomon Islands (?10,000m<sup>3</sup> logs)<sup>148</sup>

Much of the timber which Vietnam imports from the Solomon Islands is likely to be certified (and derive from the Kolombangara plantation). However, the quantities involved are unclear.

Logs account for almost two thirds of the value of the Solomon Islands' exports. Despite long standing anxiety being expressed by the Central Bank of the Solomon Islands about the imminent exhaustion of the country's forests (and hence foreign exchange earnings), the quantity of logs being exported has continued to rise and exceeds the annual allowable cut by several times.

Although forest in the Solomon Islands tends to be owned by local communities, it is unlikely that logging is being carried out in compliance with the law. Like a number of other producer countries, the government has insufficient capacity to regulate logging in the Solomon Islands. It is understandable therefore that the country's timber exports should be regarded as having a high risk profile.

#### South Africa (9,000m<sup>3</sup> logs)

A substantial area of plantations in South Africa are FSC-certified. The output of almost of that area is destined for use in the paper sector. Some of the remainder is used by South Africa's outdoor wooden furniture industry.<sup>149</sup> It is likely that Vietnam competes with those manufacturers for the supply of that certified wood.

#### Thailand (60,000m<sup>3</sup> sawn rubberwood, 4,000m<sup>3</sup> other sawn wood, 140,000m<sup>3</sup> particleboard, 180,000m<sup>3</sup> fibre board, 200,000 tonne paper)<sup>150</sup>

Logging in such natural forest as remains in Thailand is prohibited. Other than if they are made from rubberwood or plantation teak, all Thailand's exports of timber sector products are likely to be illegal.

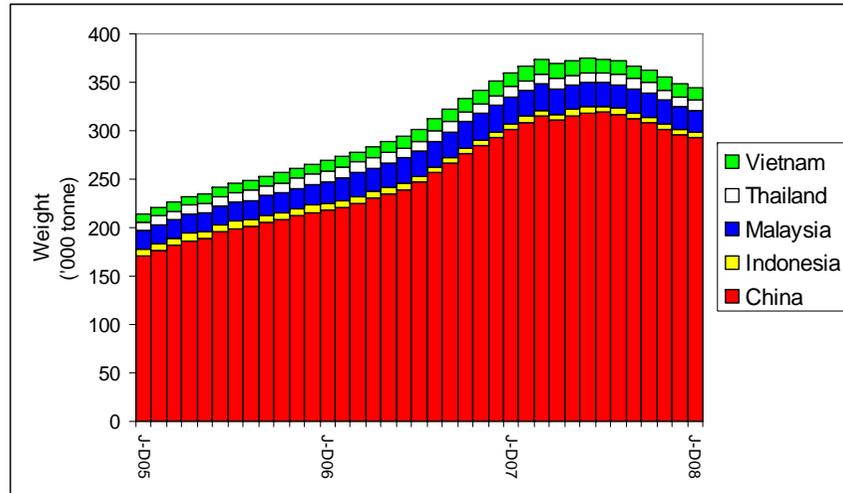
#### Uruguay (110,000m<sup>3</sup> logs, 7,000m<sup>3</sup> sawn wood)

A number of plantations in Uruguay are FSC-certified. However, Uruguay's plantations sector is controversial.<sup>151</sup> Hardwood, presumably eucalyptus, accounts for almost all the timber which Uruguay exports to Vietnam.

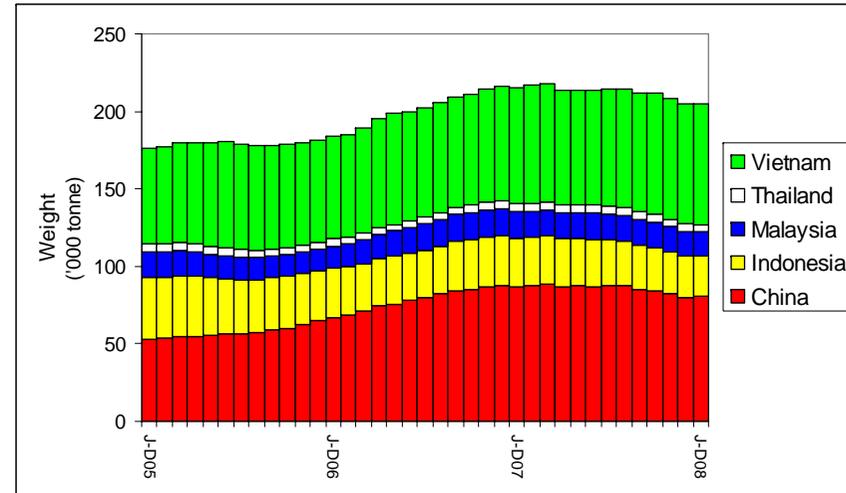
#### USA (130,000m<sup>3</sup> logs, 170,000m<sup>3</sup> sawn wood)<sup>152</sup>

The American Hardwood Export Council has published a report which demonstrates that, as a group, supplies of hardwood grown in the USA (particularly by those who own small areas of woodland) meet criteria for legality required for certification and public procurement.<sup>153</sup> Hardwood accounted for more than 95% of the volume both of logs and of sawn wood which were exported to Vietnam during 2008. Substantial volumes of timber certified under either the FSC or PEFC scheme are available.

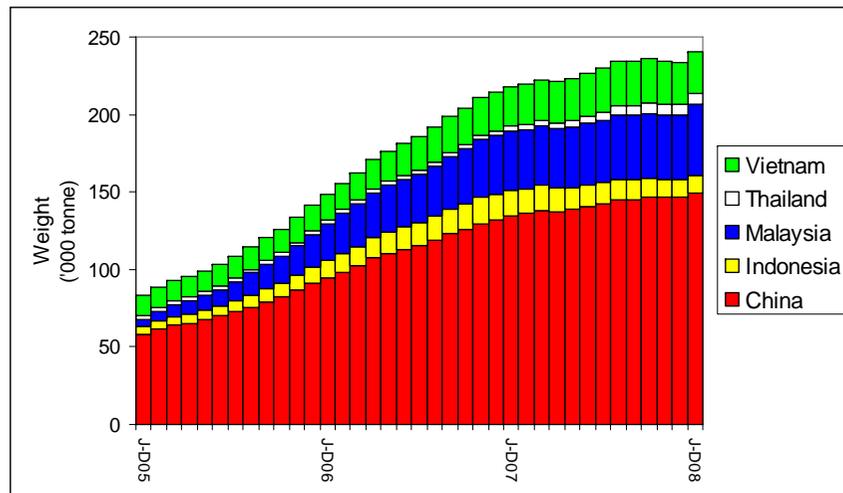
Appendix B1 - The EU's imports of wooden furniture from Vietnam and leading competitors<sup>154</sup>



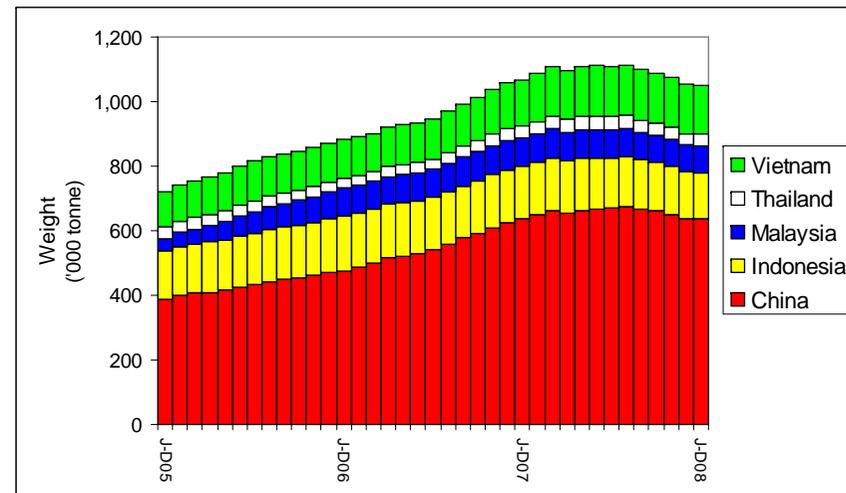
“Wooden seats – upholstered” (HS code 940161)



“Wooden seats – other than upholstered” (HS code 940169)

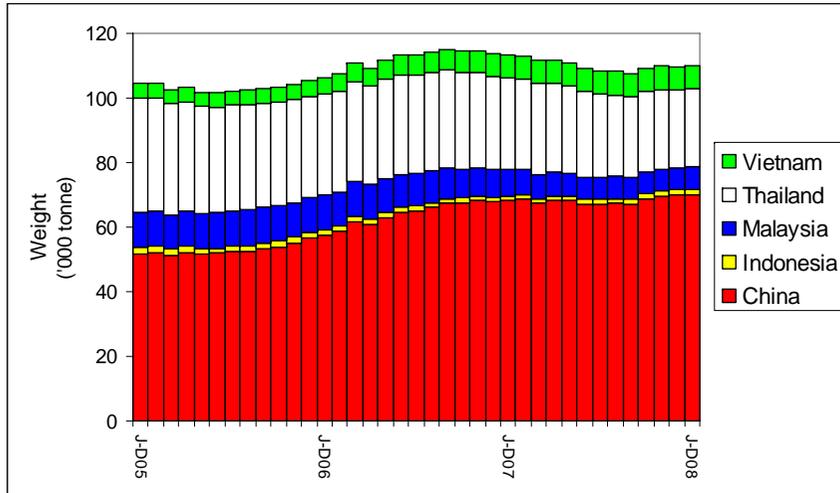


Wooden furniture for bedrooms” (HS code 940350)

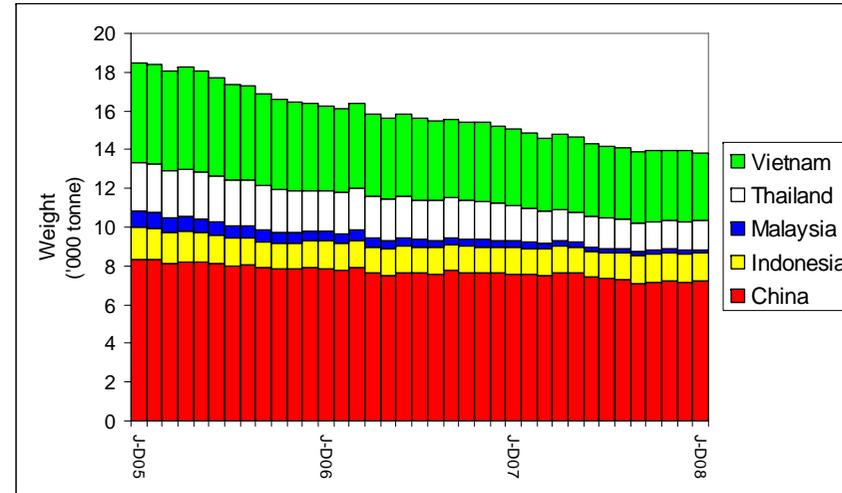


“Wooden furniture not elsewhere specified” (HS code 940360)

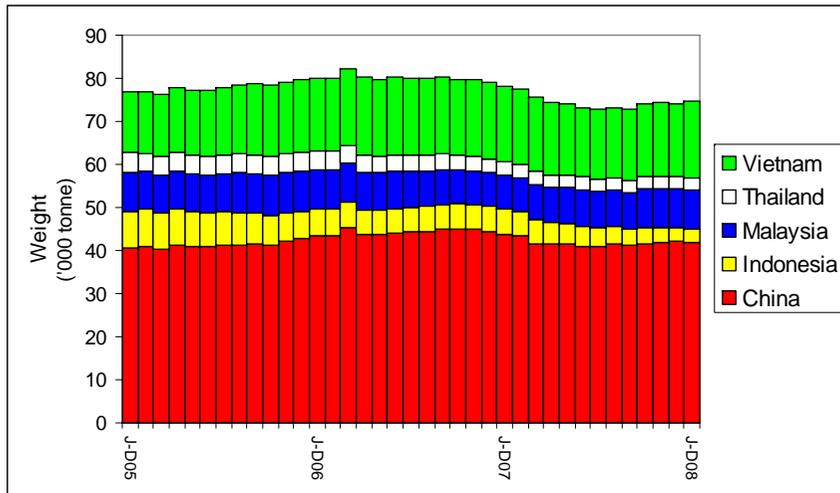
Appendix B2 - Japan's imports of wooden furniture from Vietnam and leading competitors<sup>155</sup>



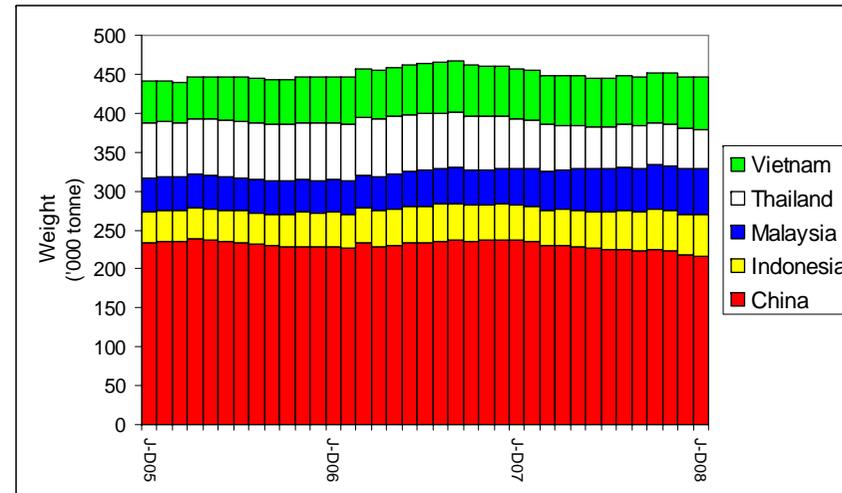
“Wooden seats – upholstered” (HS code 940161)



“Wooden seats – other than upholstered” (HS code 940169)

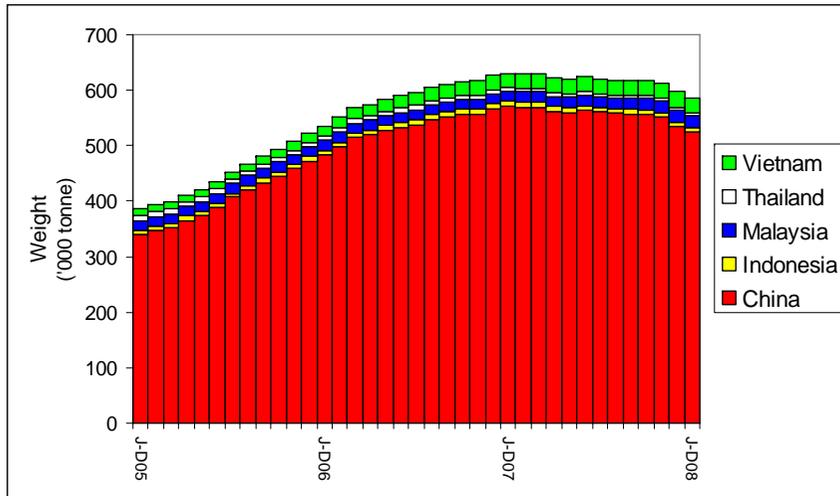


“Wooden furniture for bedrooms” (HS code 940350)

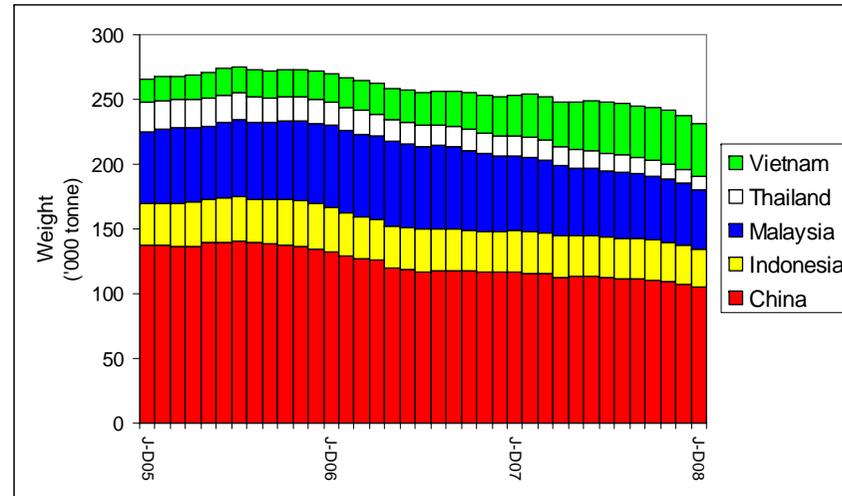


“Wooden furniture not elsewhere specified” (HS code 940360)

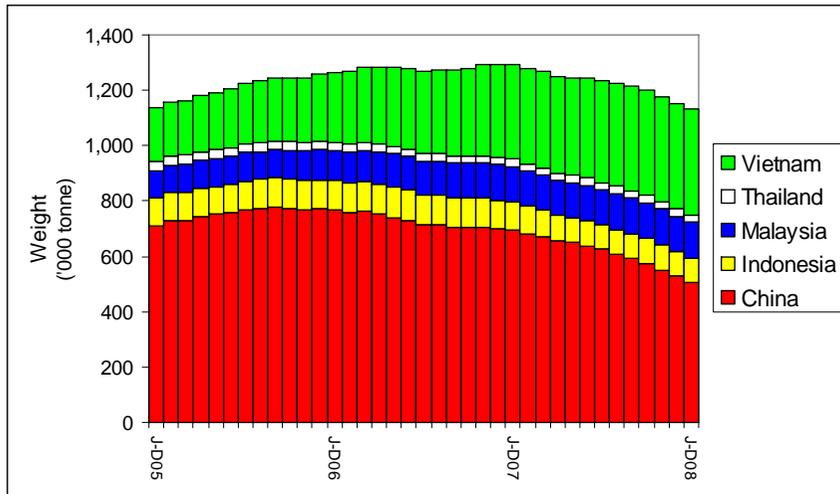
Appendix B3 - The USA's imports of wooden furniture from Vietnam and leading competitors <sup>156</sup>



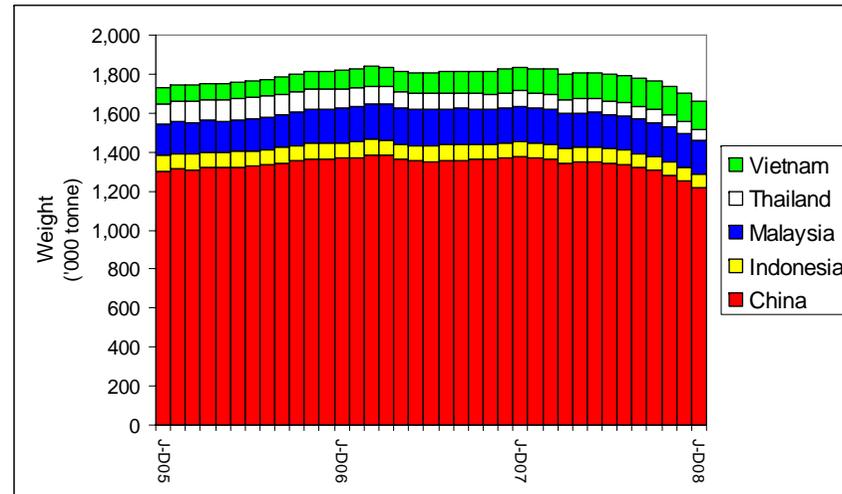
“Wooden seats – upholstered” (HS code 940161)



“Wooden seats – other than upholstered” (HS code 940169)



Wooden furniture for bedrooms” (HS code 940350)



“Wooden furniture not elsewhere specified” (HS code 940360)

## Endnotes

- <sup>1</sup> “Vietnam’s Forestry Development Strategy for the 2006-2020 period” (February 2007) final § p18 [http://www.vietnamforestry.org.vn/Linkedfiles/LegalDoc/NFS\\_EN.pdf](http://www.vietnamforestry.org.vn/Linkedfiles/LegalDoc/NFS_EN.pdf)
- <sup>2</sup> “Borderlines - Vietnam’s Booming Furniture Industry and Timber Smuggling in the Mekong Region” EIA / Telapak (2008) §3 p6
- <sup>3</sup> “Exports of wood products could reach US\$ 2.4 billion in 2007” Fordaq News (10/01/2008) penultimate § [http://www.fordaq.com/fordaq/news/Vietnam\\_Exports\\_of\\_wood\\_products\\_16163.html](http://www.fordaq.com/fordaq/news/Vietnam_Exports_of_wood_products_16163.html)
- <sup>4</sup> “Viet Nam Forest Sector Indicators and 2005 Baseline Data Report” §1 p93 <http://www.vietnamforestry.org.vn/FOMIS/Chapter7.pdf>
- <sup>5</sup> <http://faostat.fao.org/site/626/DesktopDefault.aspx?PageID=626#ancor>
- <sup>6</sup> “Viet Nam Forest Sector Indicators and 2005 Baseline Data Report” final § p120 <http://www.vietnamforestry.org.vn/FOMIS/Chapter9.pdf>
- <sup>7</sup> Judging by reports in the media (- see the new archive of <http://www.illegal-logging.info>), the volume of illegal timber entering the market from Vietnam’s natural forest is substantial. A sustained increase in the frequency of such reports would be consistent with increasing volumes of illegal timber being felled, increased surveillance and increased media coverage. However, the latter two might not reflect increased felling.
- <sup>8</sup> There are plans to establish plantations across Vietnam using “genetically improved planting stock”. <http://www.wrm.org.uy/bulletin/45/Vietnam.html> p5 The FSC scheme does not allow plantations of genetically engineered trees to be certified. The risk that genetically engineered trees will contaminate other trees and thereby damage prospects for Vietnam’s exports of wood-based products should be taken into account before planting such stock.
- <sup>9</sup> This report does not consider the use of industrial roundwood as fuel in Vietnam. However, changes in price and availability of alternatives will tend to determine the extent to which fuel wood will compete with the paper and timber sectors for Vietnam’s IRW production.
- <sup>10</sup> “Viet Nam Forest Sector Indicators and 2005 Baseline Data Report” Graph 18 p93 <http://www.vietnamforestry.org.vn/FOMIS/Chapter7.pdf>. Note however that this source also states that production amounted to 2.7 million cubic metres (p120 final § <http://www.vietnamforestry.org.vn/FOMIS/Chapter9.pdf>) and that this is corroborated by “Vietnam Solid Wood Products Annual Report - 2007” Table 1 <http://www.fas.usda.gov/gainfiles/200712/146293185.pdf>
- <sup>11</sup> “Viet Nam Forest Sector Indicators and 2005 Baseline Data Report” §1 p93 <http://www.vietnamforestry.org.vn/FOMIS/Chapter7.pdf> Note however that this source states that that volume was the maximum authorised during the 1980s, and that the authorised limit has reduced since then - “Viet Nam Forest Sector Indicators and 2005 Baseline Data Report” §3 p120 <http://www.vietnamforestry.org.vn/FOMIS/Chapter9.pdf>.
- <sup>12</sup> “Global Forest Resources Assessment 2005 - Progress towards sustainable forest management” FAO (2006) p281 <ftp://ftp.fao.org/docrep/fao/008/a0400e/a0400e00.pdf>
- <sup>13</sup> “Decision NO. 18/2007/QĐ-TTg of February 5 2007, Approving Vietnam’s Forestry Development Strategy in the Period 2006-2020” Official Gazette (08-09 February 2007) §1 of section 2 p17
- <sup>14</sup> <http://faostat.fao.org/site/626/DesktopDefault.aspx?PageID=626#ancor>
- <sup>15</sup> “Vietnam’s Forestry Development Strategy for the 2006-2020 period” (February 2007) final two bullet points p32 [http://www.vietnamforestry.org.vn/Linkedfiles/LegalDoc/NFS\\_EN.pdf](http://www.vietnamforestry.org.vn/Linkedfiles/LegalDoc/NFS_EN.pdf)
- <sup>16</sup> It is unclear how much of this comes from rubber plantations. However, it is likely that, as in Indonesia, Vietnam’s rubber plantations are sufficiently scattered and small to make it uneconomic for rubberwood to be used in those countries as a major source of raw material for wood-based panels. This contrasts with Malaysia and Thailand whose exports to the timber sector include large quantities of rubberwood.
- <sup>17</sup> The output capacity of these two (Vinafor and Cosevco) is 127,000 cubic metres per year – an RWE volume of approximately 0.2 million cubic metres. “MDF Survey Part 2” Wood-Based Panels International (Issue 4, 2008) p30
- <sup>18</sup> <http://hochiminhcity.osac.gov/page.cfm?pageID=4138>
- Such matters should adversely influence due diligence assessment by prospective clients – “Legal Analysis: Due Diligence in the Illegal-Timber Regulation” Cool Earth (2009) <http://www.illegal-logging.info/uploads/ClientEarth.Briefing.Due.Diligence.21.Sept.09.pdf>
- <sup>19</sup> Note that these two amounts are not necessarily comparable given that the felling of trees might take place during a calendar year prior to the one in which an importing country receives a consignment of products made from those trees.
- <sup>20</sup> The primary source for this information is “Feeding China’s Expanding Demand for Wood Pulp: A Diagnostic Assessment of Plantation Development, Fiber Supply, and Impacts on Natural Forests in China and in the South East Asia Region – Vietnam report” J-M Roda and S Rathi for CIFOR (2006) p4 [http://www.cifor.cgiar.org/publications/pdf\\_files/research/governance/foresttrade/Attachment3-CIRAD-VietnamReport.pdf](http://www.cifor.cgiar.org/publications/pdf_files/research/governance/foresttrade/Attachment3-CIRAD-VietnamReport.pdf)
- <sup>21</sup> “Vietnam’s Forestry Development Strategy for the 2006-2020 period” (February 2007) p6 §1 [http://www.vietnamforestry.org.vn/Linkedfiles/LegalDoc/NFS\\_EN.pdf](http://www.vietnamforestry.org.vn/Linkedfiles/LegalDoc/NFS_EN.pdf)
- “Forest Tenure Reform in Viet Nam: Case Studies From the Northern Upland and Central Highlands Regions” Nguyen Quang Tan, Nguyen Ba Ngai, Tran Ngoc Thanh, William Sunderlin and Yurdi Yasmi for RECOFT and RRI (2008) ppvii & viii and §1 p28 [http://www.rightsandresources.org/publication\\_details.php?publicationID=796](http://www.rightsandresources.org/publication_details.php?publicationID=796)
- <sup>22</sup> Although the government offers to fund much of the cost incurred by smallholders in establishing plantations, the interest charged on loans which the smallholder might borrow to pay for remaining cost tends to be greater than the

smallholder considers affordable, particularly given uncertainties in the price at which they will be able to sell their timber. See final § p6 [http://www.cifor.cgiar.org/rehab/download/vietnam\\_rehab\\_forest.pdf](http://www.cifor.cgiar.org/rehab/download/vietnam_rehab_forest.pdf)

<sup>23</sup> For example, the application of government policy concerning the promotion of plantations in ways which do not respect local knowledge concerning the management of trees; the allocation of land to those with influence; the requirement to obtain authorisation prior to felling their own trees and to have documentation verifying legal compliance; provision of poor quality seeds by government; etc. – as indicated in Interviews 10 (final §), 11 (final §) and 21 (final §) of this report, “Forest Tenure Reform in Viet Nam: Case Studies From the Northern Upland and Central Highlands Regions” Nguyen Quang Tan, Nguyen Ba Ngai, Tran Ngoc Thanh, William Sunderlin and Yurdi Yasmi for RECOFT and RRI (2008) [http://www.rightsandresources.org/publication\\_details.php?publicationID=796](http://www.rightsandresources.org/publication_details.php?publicationID=796) and elsewhere. Further, decisions about the location and scale of further mills and furniture factories might be influenced more by government interest than market considerations.

<sup>24</sup> [http://www.cifor.cgiar.org/rehab/download/vietnam\\_rehab\\_forest.pdf](http://www.cifor.cgiar.org/rehab/download/vietnam_rehab_forest.pdf) p6 and <http://www.wrm.org.uy/bulletin/38/Vietnam.html>

<sup>25</sup> The trade value of Vietnam’s Timber Sector imports and exports during 2008 amounted to US\$1.1bi and US\$2.2bi respectively. The corresponding amounts in the Paper Sector were US\$1.1bi and US\$0.5bi

<sup>26</sup> UN Comtrade is the only readily available source of trade statistics for Vietnam. However, their usefulness is limited because they tend only to present values, rather than weights or volumes. Given that prices can be volatile and that the unit price of one product (e.g. wood chips) might differ greatly from that of another (e.g. wooden furniture), such statistics will tend to handicap or mislead planning. Further, published statistical summaries of Vietnam’s trade in wood-based products are also of limited usefulness, given that they tend to be ambiguous about what it is that they describe.

<sup>27</sup> The density of timber varies quite widely according to species and moisture content, and the quantity of timber lost in milling processes vary with according to the mill, quality and size of logs. For example, the timber industry in the Congo Basin expect to use 3m<sup>3</sup> of logs produce 1m<sup>3</sup> of export grade sawn wood from large diameter logs whereas mills in China are assumed to use 1.4m<sup>3</sup> per m<sup>3</sup>

<sup>28</sup> Source: importing country declarations as described in Footnote 2 of <http://www.globaltimber.org.uk/RWEvolume.htm> (Vietnam chooses not to publish statistics of the weight or volume of its bilateral trade in wood-based products.)

<sup>29</sup> Roundwood equivalent “RWE” volume is a measure of the volume of logs required to make a given quantity of a given product. RWE volume in cubic metres is estimated herein by multiplying volume (in cubic metres) by 1 (logs), 1.4 (particleboard), 1.8 (sawn wood and fibreboard), 1.9 (veneer and mouldings), 2.3 (plywood), 2.5 (ornaments) and weight (in tonne) by 0 (pulp based on waste paper), 1.6 (wood chips), 2.8 (wooden furniture), 3.5 (paper), 4.5 (wood pulp). Some of these factors are used by the FAO and ITTO, but there is wide variation in what others use – see footnote 2 of <http://www.globaltimber.org.uk/RWEvolume.htm>. For some reason, a number of countries choose not to publish statistics of the weight of wooden furniture which they trade. However, the weight of their bilateral trade for each type of furniture can be estimated from the bilateral statistics of those which do – for example, by assuming that the import value per unit of weight for the USA’s imports of bedroom furniture from Vietnam is similar to that for the EU and Japan combined.

<sup>30</sup> Wooden ornaments account for most of the remainder. The wood from which these are made is more likely to have derived from natural forest than plantations.

<sup>31</sup> The USA (unlike, the EU, Japan, South Korea and Taiwan) chooses to not publish statistics of the weight of its trade in wooden furniture. Consequently, estimates of the RWE volume of wooden furniture which Vietnam exported to the USA – which accounted for most of the growth in those exports - are not robust.

<sup>32</sup> <http://www.vietpartners.com/showdetailnews.asp?ID=858> and [http://vibforum.vcci.com.vn/news\\_detail.asp?news\\_id=16911](http://vibforum.vcci.com.vn/news_detail.asp?news_id=16911) §2

<sup>33</sup> Assuming (i) between 4.0 and 4.5 cubic metres per ton, (ii) that Vinapimex accounts for the great majority of Vietnam’s pulp production - <http://www.resourcesaver.com/file/toolmanager/O105UF1538.pdf> and (iii) the pulp is based on bamboo (20%) and wood (80%) with no waste paper - slide 25 of [http://www.cifor.cgiar.org/publications/pdf\\_files/research/governance/foresttrade/Brussels/Attachment44-Roda-Rathi-BrusselsWshop051205-1355-1435.pdf](http://www.cifor.cgiar.org/publications/pdf_files/research/governance/foresttrade/Brussels/Attachment44-Roda-Rathi-BrusselsWshop051205-1355-1435.pdf)

<sup>34</sup> Source: based on UN Comtrade except 2008 exports, for which export value was estimated from the sum of import values declared by a number of importing countries after adjusting by the ratio between import value and export value apparent in previous years.

<sup>35</sup> Media and other reports which cite the export value of wood-based products which Vietnam exports tend to be ambiguous (in their English language translation) about what they refer to.

<sup>36</sup> It seems that, during the last decade, small-holders tended to convert woodland to agriculture in order to optimise their livelihoods. However, the focus switched towards plantations during the early years of this decade - [http://www.wri-ltd.com/pdfs/PR\\_Vietnam\\_April\\_09.pdf](http://www.wri-ltd.com/pdfs/PR_Vietnam_April_09.pdf) §3. There has been some recent volatility in the world price of pulpwood - [http://www.wri-ltd.com/pdfs/Global\\_wood\\_costs\\_pulp\\_industry\\_1Q\\_09.pdf](http://www.wri-ltd.com/pdfs/Global_wood_costs_pulp_industry_1Q_09.pdf) and [http://www.wri-ltd.com/pdfs/Global\\_wood\\_costs\\_pulp\\_industry\\_1Q\\_09.pdf](http://www.wri-ltd.com/pdfs/Global_wood_costs_pulp_industry_1Q_09.pdf). This might prompt some small-holders to switch their focus from plantations to other land uses.

<sup>37</sup> <http://www.sojitz.com/en/csr/divisions/plantation.html> §2 final sentence

<sup>38</sup> “State Forestry Enterprise Reform in Vietnam - Unlocking the potential for commercial wood growing” I Artemiev for World Bank (2003) final § p15 [http://siteresources.worldbank.org/INTEAPREGTOPRURDEV/Resources/573691-1141228934263/2280904-1141235339090/SFE\\_Reform-UnlockingPotential-CommericalWoodGrowing.pdf](http://siteresources.worldbank.org/INTEAPREGTOPRURDEV/Resources/573691-1141228934263/2280904-1141235339090/SFE_Reform-UnlockingPotential-CommericalWoodGrowing.pdf)

<sup>39</sup> Estimated RWE volume based on importing country declarations. Sources include General Administration of Customs of the People’s Republic of China, Trade Statistics of Japan, Korea Customs Service, and Directorate General of Customs (Taiwan)  
Export value based on Vietnam’s exports as presented in UN Comtrade.

<sup>40</sup> Export values for 2008 presented herein have been estimated by assuming that import values declared by importing the given importing countries relate to the corresponding export value declared by UN Comtrade on behalf of Vietnam, and then adjusting import values for 2008 accordingly.

<sup>41</sup> <http://www.wrm.org.uy/countries/Asia/Vietnam5.html> and [http://www.cifor.cgiar.org/publications/pdf\\_files/research/governance/foresttrade/Attachment4-CIRAD-VietnamReport-2.pdf](http://www.cifor.cgiar.org/publications/pdf_files/research/governance/foresttrade/Attachment4-CIRAD-VietnamReport-2.pdf) "Study on the Impacts of Market and Investment Liberalization on Vietnam's Pulp and Plantations Sector, with Particular Reference to China" A Karsenty for CIFOR (2006)

<sup>42</sup> In addition to wood chips, China also imports pulplogs from Vietnam – including directly overland. However, the quantity seems to have reached a peak during 2007.

<sup>43</sup> Sources: General Administration of Customs of the People's Republic of China, Trade Statistics of Japan, Directorate General of Customs (Taiwan)

<sup>44</sup> "Made in Vietnam– Cut in Cambodia, How the garden furniture trade is destroying rainforests" Global Witness and Friends of the Earth (April 1999)

<sup>45</sup> Some enterprises promote their wood-based products by statements such as "from a sustainable forest" thereby misleading customers into thinking that those products derive from forest which is actually being managed sustainably – all forest has the potential of being sustainable.

<sup>46</sup> <http://www.fsc-info.org> and <http://www.tropicalforesttrust.com/members-list.php>

The TFT requires that its members make demonstrable progress towards achieving full FSC certification. Neither the FSC nor the TFT collate statistics of how much timber enters trade under their brand. Little wooden furniture seems to be exported from Vietnam having some other form of certification of verification judging by the absence of relevant publicity material

All the FSC-certified products exported from Vietnam either comprise (/include) FSC-certified wood which has been imported into Vietnam or derives from the only source of timber (a plantation) in Vietnam whose output is FSC-certified.

The large number of Vietnamese enterprises which hold valid FSC Chain of Custody certificates (175 as at 20 October 2009) has no correlation whatsoever with the quantity of FSC certified timber which is traded through Vietnam.

The FSC scheme tends to be regarded as only scheme which certifies both legality and sustainability – except in the case of products which are certified as "Controlled Wood" or "Mixed Source", for which a given percentage is known to be legal but neither certified as legal nor sustainable.

<sup>47</sup> The UK government has taken a lead in establishing a "Central Point for Expertise in Timber" which provides those who procure timber in the UK (on behalf of government) with advice concerning different schemes - <http://www.proforest.net/cpet>.

<sup>48</sup> The MDF mill of Daiken Sarawak uses dipterocarp species as its source of raw material <http://www.bda.gov.my/investment/major%20projects.htm#MEDIUM%20DENSITY%20FIBREBOARD%20%28MDF%29%20PLANT>

<sup>49</sup> Source: based on UN Comtrade and author's estimates

<sup>50</sup> For estimates of the content of illegal timber in the supplies of these countries, see "Illegal Logging and Global Wood Markets: The Competitive Impacts on the U.S. Wood Products Industry" Seneca Creek Associates and Wood Resources International (2004) Table 2

<sup>51</sup> Supplies from other high risk countries are not shown here primarily because their import value is smaller than those shown.

<sup>52</sup> Unit import values for the products shown on Exhibit 5 might be lie within the range US\$150 to US\$500 per cubic metre roundwood equivalent volume, depending on the year, the product and the supplying country.

<sup>53</sup> Further, it is unclear precisely to what such statistics of trade value as are published (in the English language) actually relate. Policies made on the basis of ambiguous data increase the risk that those policies will fail.

<sup>54</sup> Concerning Burma and Cambodia, this statement is based on numerous reports by Global Witness and others. Laos prohibits the export of logs and sawn wood originating from natural forest. "Salvage" timber from the sites of hydroelectric projects tends to be associated with illegality. "Borderlines - Vietnam's Booming Furniture Industry and Timber Smuggling in the Mekong Region" EIA (March 2008) final § p6 & p7 <http://www.eia-international.org/files/reports/160-1.pdf>

<sup>55</sup> The destination for Vietnam's exports of logs and sawn wood tend to be declared as China, the USA and, to a lesser extent, Taiwan. However, the USA does not appear to import the volume exported from Vietnam.

<sup>56</sup> During 2008, the RWE volume of Vietnam's timber imports from Burma, Cambodia and Laos lone was probably in the order of one million cubic metres. This is roughly 50% greater than the RWE volume of Vietnam's exports of timber sector products other than furniture.

<sup>57</sup> Assessing the legality of timber supplied from a number of other high risk countries, notably Laos and Cambodia, is perhaps simpler given the weakness of those countries' forestry administration and clearer indications of illegality. For further information, see section 10 above.

<sup>58</sup> <http://www.mtcc.com.my/fullstory.asp?ID=112>

Prior to its endorsement by the PEFC, timber certified under MTCS was deemed by the governments of some importing countries (particularly the UK) to be legal but not from a sustainably managed source. Newsletters published by the MTCC provide monthly statistics of the volume of certified which is exported from Malaysia with chain of custody.

<sup>59</sup> During mid-2008, 4.8 million hectares of Permanent Reserved Forest was MTCS-certified across Malaysia (almost all being in Peninsular Malaysia) – final page "News" Malaysian Timber Certification Council (August 2008)

<http://www.mtcc.com.my/MTCC%20Newsletter/MTCC%20News%20Vol.%202.%20Issue%205.pdf> This is slightly more than the area of the Permanent Forest Reserve in Peninsular Malaysia during 1995 – table 5.2 p34 “Spatial Data Requirements In Sustainable Forest Management A Study In Four Tropical Countries”

[http://www.itc.nl/library/papers\\_1999/general/user5.pdf](http://www.itc.nl/library/papers_1999/general/user5.pdf)

<sup>60</sup> “America’s Free Trade for Illegal Timber - How US Trade Pacts Speed the Destruction of the World’s Forests” EIA and Telapak (2006) <http://www.eia-international.org/files/reports118-1.pdf> §3 p13

“Timber Smuggling in Indonesia – Critical or Overstated Problem?” K Obidzinski, A Andrianto and C Wijaya (2006) [http://www.cifor.cgiar.org/publications/pdf\\_files/Books/BObidzinski0601.pdf](http://www.cifor.cgiar.org/publications/pdf_files/Books/BObidzinski0601.pdf) p24

“The Last Frontier - Illegal Logging in Papua and China’s Massive Timber Theft” EIA and Telapak (2005)

<http://www.eia-international.org/files/reports93-1.pdf> §3 p18

<sup>61</sup> Brazil is said to be the sole source of the certified wood (presumably eucalyptus) which is used in making outdoor furniture in Vietnam for Scancom, a leading buyer of such furniture.

[http://cmsdata.iucn.org/downloads/flegt\\_roundtable\\_meeting\\_summary\\_report\\_en.pdf](http://cmsdata.iucn.org/downloads/flegt_roundtable_meeting_summary_report_en.pdf) §1 p7 and

[http://gftn.panda.org/about\\_gftn/current\\_participants/doc\\_downloads.cfm?companyid=1966](http://gftn.panda.org/about_gftn/current_participants/doc_downloads.cfm?companyid=1966) p2

<sup>62</sup> Papua New Guinea Forest Industries Association [http://www.fiapng.com/logexports\\_comb\\_2001\\_2004.pdf](http://www.fiapng.com/logexports_comb_2001_2004.pdf) p3

120,000m<sup>3</sup> during 2004 and 20,000m<sup>3</sup> during 2003 Another source suggests that Papua New Guinea exported about 150,000m<sup>3</sup> of plantation timber annually to Vietnam from 2002 until 2004

[http://www.delmys.ec.europa.eu/en/special\\_features/Le%20Dinh%20Ba.pdf](http://www.delmys.ec.europa.eu/en/special_features/Le%20Dinh%20Ba.pdf) §3 p2

[http://www.cmmc.com.au/21\\_S108\\_forestry.pdf](http://www.cmmc.com.au/21_S108_forestry.pdf) box text p21 - does not indicate to which countries KPFL exports

<sup>63</sup> Source: based on UN Comtrade

<sup>64</sup> These and other countries are described herein as high risk sources because there is generally believed to be concern about the legality of their supplies of some or all of their wood-based products. A description of that legality is provided in section 10.

<sup>65</sup> Thailand is considered low risk here because the great majority of its supplies to Vietnam comprise rubberwood.

<sup>66</sup> Estimated RWE volume based on importing country declarations. Sources include General Administration of Customs of the People’s Republic of China, Trade Statistics of Japan, Directorate General of Customs (Taiwan), and United States International Trade Commission Trade Dataweb

<sup>67</sup> It is likely that the quantity of wooden bedroom furniture which is declared in the USA as imports from Vietnam has been inflated by supplies which were fraudulently shipped from China via Vietnam -

<http://xttmnew.agroviet.gov.vn/loadasp/tn/en/tn-spec-nodate-detail.asp?tn=tn&id=24719>

<sup>68</sup> The Exhibit excludes pulplogs imported through the customs district of Haikou in China. (During 2007, roughly 70,000m<sup>3</sup> of logs were imported into China by Hainan Jinhai Paper and Pulp Industry Ltd [source: CTI]. Given that the import value per cubic metre of those logs was closer to what one might expect for pulplogs than logs from natural tropical forest, they were probably pulped in Asia Pulp and Paper’s Hainan Jinhai mill.)

<sup>69</sup> China’s customs statistics show that China imports a substantial volume of rosewood logs overland from Vietnam.

<sup>70</sup> Source: based on Eurostat, Trade Statistics of Japan, and United States International Trade Commission Trade Dataweb

<sup>71</sup> Reflecting marked seasonality in the procurement of outdoor furniture within the EU, it is likely that most of the seasonal peak evident in statistics of the EU’s imports of wooden furniture is attributable to the outdoor sector.

<sup>72</sup> The domestic market for furniture in Vietnam differs radically from that in the markets to which most of Vietnam’s exports are destined, and as such provides no slack against changes in export markets or insights into the taste of consumers in those export markets. Pers. Comm. delegates from Vietnam during their visit to the UK (June 2009).

<sup>73</sup> India imports much, perhaps most, of several countries’ production of plantation teak. This tends to deny raw material to furniture manufacturers locally (as in Ghana).

<sup>74</sup> Source: based on General Administration of Customs of the People’s Republic of China, Trade Statistics of Japan, Korea Customs Service, Directorate General of Customs (Taiwan), Customs Department of the Kingdom of Thailand, United States International Trade Commission Trade Dataweb, and UN Comtrade,

<sup>75</sup> The import value per unit of weight declared by Taiwan for its imports of paper from Vietnam is particularly low – this might indicate that the pulp from which it is made derives primarily from waste paper or bamboo and if it is, then its RWE volume would be lower than that assumed herein

<sup>76</sup> Most of the USA’s recent imports have comprised notebooks and the like (HS code 482010) whereas Taiwan’s imports tend mainly to comprise miscellaneous products not elsewhere specified (HS code 4823900909).

<sup>77</sup> “Feeding China’s Expanding Demand for Wood Pulp: A Diagnostic Assessment of Plantation Development, Fiber Supply, and Impacts on Natural Forests in China and in the South East Asia Region – Vietnam report” J-M Roda and S Rathi for CIFOR (2006) pp1&2

[http://www.cifor.cgiar.org/publications/pdf\\_files/research/governance/foresttrade/Attachment3-CIRAD-VietnamReport.pdf](http://www.cifor.cgiar.org/publications/pdf_files/research/governance/foresttrade/Attachment3-CIRAD-VietnamReport.pdf)

<sup>78</sup> “Feeding China’s Expanding Demand for Wood Pulp: A Diagnostic Assessment of Plantation Development, Fiber Supply, and Impacts on Natural Forests in China and in the South East Asia Region – Vietnam report” J-M Roda and S Rathi for CIFOR (2006) §§1&2 p26

[http://www.cifor.cgiar.org/publications/pdf\\_files/research/governance/foresttrade/Attachment3-CIRAD-VietnamReport.pdf](http://www.cifor.cgiar.org/publications/pdf_files/research/governance/foresttrade/Attachment3-CIRAD-VietnamReport.pdf)

<sup>79</sup> But at least one such mill might import its wood raw material (from Laos) -

<http://www.vir.com.vn/Client/VIR/index.asp?url=content.asp&doc=12538> §§10&11

<sup>80</sup> Source: based on Trade Statistics of Japan, Directorate General of Customs (Taiwan), United States International Trade Commission Trade Dataweb

<sup>81</sup> <http://www.wrm.org.uy/bulletin/115/Vietnam.html>

<sup>82</sup> The RWE volume of their output would be small if waste paper accounts for most of their fibre supply. Further, bilateral trade statistics are unlikely to record the weight or value of the packaging in which traded products are packed.

<sup>83</sup> <http://www.paper.com.cn/en/newshow.php?id=167> §13

The impact which the proposed mill would have on the currently declining profitability of that Lee & Man's mills in China will have been a factor in the decision to postpone further investment – and would be a factor taken into account by other prospective investors who likewise have existing mills.

<sup>84</sup> "Vietnam's Forestry Development Strategy for the 2006-2020 period" (February 2007)

[http://www.vietnamforestry.org.vn/Linkedfiles/LegalDoc/NFS\\_EN.pdf](http://www.vietnamforestry.org.vn/Linkedfiles/LegalDoc/NFS_EN.pdf) Note this table includes interpretations of information presented by the source at Table 1 (p43) and Table 3 (pp 46 & 47)

<sup>85</sup> Information cited in this Exhibit includes interpretations of unclear data presented in source documents

<sup>86</sup> *ibid* Table 1 (p43)

<sup>87</sup> The RWE volume of wood-based products which Vietnam exported during 2008 was in the order of eight million cubic metres – rather more than the 3.4 million forecast for 2020 (which presumably therefore relates solely to wooden furniture exports)

<sup>88</sup> If plantations are to be the source of this large diameter timber, there seems little evidence either that they have been designated as such or that they will have matured sufficiently to yield the volumes envisaged.

<sup>89</sup> The black listing prevents APP or any company in which APP is a majority shareholder from "green washing" its image in the marketplace through association with the FSC. "FSC Disassociation from Asia Pulp and Paper (APP)" FSC (2007 <http://www.fscscanada.org/docs/20B9A3AD5D4E26FF.pdf>)

<sup>90</sup> The response of the market to exposés in Vietnam's outdoor wooden furniture sector was sufficiently to prompt a fundamental change in supply chain management in much of that sector. "Cut in Cambodia – Made in Vietnam: How the garden furniture trade is destroying rainforests" Global Witness (1999)

[http://www.globalwitness.org/media\\_library\\_get.php/163/1256744426/Made\\_in\\_Vietnam.doc](http://www.globalwitness.org/media_library_get.php/163/1256744426/Made_in_Vietnam.doc)

<sup>91</sup> Conversely, if food prices have been more attractive than those for wood chips, and if markets for the sale of logs are not readily available, some small-holders might have converted their plantations to other crops and used the felled trees as fuel.

<sup>92</sup> [http://english.peopledaily.com.cn/200606/12/eng20060612\\_273258.html](http://english.peopledaily.com.cn/200606/12/eng20060612_273258.html)

<sup>93</sup> The RWE volume of wooden furniture which Vietnam's main markets imported during the 12 months prior to the end of June 2009 was only slightly smaller than the peak in 2008. However, exports to the EU declined further – to levels similar to those achieved during 2006. This might reflect that outdoor furniture – a luxury item – accounts for a greater share of the RWE volume of wooden furniture which the EU imports from Vietnam than other countries do.

<sup>94</sup> Disposable incomes in those countries might be lower than those typical in Vietnam's current major markets and investment capital might be more difficult to secure.

<sup>95</sup> which can be initiated from [http://comtrade.un.org/db/dqQuickQuery.aspx?cc=4403,%20-4403\\*,%204407\\*,%20-4407&px=H0&r=32&y=2008&p=704&rg=2&so=8](http://comtrade.un.org/db/dqQuickQuery.aspx?cc=4403,%20-4403*,%204407*,%20-4407&px=H0&r=32&y=2008&p=704&rg=2&so=8)

<sup>96</sup> One corporate group, that of Asia Pulp and Paper, which has interests in Vietnam (not least as a supplier of pulpwood), has a major presence but poor repute for legal compliance and sustainability in both China (notably in Hainan and Yunnan) and Indonesia. See for example: "Analysis of APP Response to WWF Indonesia's Reports on the Company's Involvement in Illegal Logging" WWF Indonesia (2004)

[http://assets.wwfid.panda.org/downloads/analysis\\_of\\_app\\_response\\_1.pdf](http://assets.wwfid.panda.org/downloads/analysis_of_app_response_1.pdf) and "Investigative Report on APP's Forest Destruction in Yunnan" Greenpeace (2004)

<http://www.greenpeace.org/raw/content/china/en/press/reports/investigative-report-on-app-s.pdf>

<sup>97</sup> "Implications for the New Zealand Wood Products Sector of Trade Distortions due to Illegal Logging" James Turner, Andres Katz and Joseph Buongiorno (2007) [http://www.maf.govt.nz/forestry/illegal-logging/trade-distortion-implications/Final\\_Report.pdf](http://www.maf.govt.nz/forestry/illegal-logging/trade-distortion-implications/Final_Report.pdf)

"Illegal Logging and Global Wood Markets: The Competitive Impacts on the U.S. Wood Products Industry" Seneca Creek Associates and Wood Resources International (2004) Table 2 and

"Strengthening Forest Law Enforcement and Governance Addressing a Systemic Constraint to Sustainable Development" World Bank (2006)

[http://siteresources.worldbank.org/INTFORESTS/Resources/ForestLawFINAL\\_HI\\_RES\\_9\\_27\\_06\\_FINAL\\_web.pdf](http://siteresources.worldbank.org/INTFORESTS/Resources/ForestLawFINAL_HI_RES_9_27_06_FINAL_web.pdf)

<http://www.illegal-logging.info/uploads/afandpa.pdf>

<sup>98</sup> UN Comtrade

<sup>99</sup> <http://www.wrm.org.uy/bulletin/96/Argentina.html>

<sup>100</sup> Ministério do Desenvolvimento Indústria e Comércio Exterior <http://aliceweb.desenvolvimento.gov.br/default.asp>

<sup>101</sup> "Tropical Timber Market Report" ITTO (16-30 June 2007), p6 left

[http://www.itto.int/direct/topics/topics\\_pdf\\_download/topics\\_id=33890000&no=11](http://www.itto.int/direct/topics/topics_pdf_download/topics_id=33890000&no=11)

<sup>102</sup> UN Comtrade indicates that the import value of Vietnam's imports of logs during 2007 was \$53mi. Assume unit import value in the order of US\$300/m<sup>3</sup> and imports changing in line with changes in Vietnam's exports.

<sup>103</sup> UN Comtrade indicates that the import value of Vietnam's imports of logs during 2007 was \$73mi. Assume unit import value in the order of US\$300/m<sup>3</sup> and imports changing in line with changes in Vietnam's exports.

<sup>104</sup> <http://siteresources.worldbank.org/EXTINSPECTIONPANEL/Resources/CAMBODIAFINAL.pdf>

<sup>105</sup> "Cambodia's Family Trees" Global Witness (2007) p8

<sup>106</sup> [http://www.illegal-logging.info/item\\_single.php?it\\_id=3541&it=news](http://www.illegal-logging.info/item_single.php?it_id=3541&it=news)

<sup>107</sup> "Newsletter 29" ATIBT (2009) p10 <http://www.illegal-logging.info/uploads/StatistiquesLETTREatibt29VD.pdf>

- <sup>108</sup> But the law (requiring sustainable forest management) is drafted in a way which permits concessionaires to log unsustainably - <http://www.illegal-logging.info/uploads/Cerutti0608.pdf> p3
- <sup>109</sup> "Sold Down the River: The Need to Control Transnational Forestry Corporations: a European Case Study" Forests Monitor (March 2001) p64 CFC §3  
[http://www.forestsmonitor.org/uploads/2e90368e95c9fb4f82d3d562fea6ed8d/sold\\_1\\_.pdf](http://www.forestsmonitor.org/uploads/2e90368e95c9fb4f82d3d562fea6ed8d/sold_1_.pdf)
- <sup>110</sup> <http://www.rem.org.uk/Reports1.html> When commenting on the extent of Illegal Timber in Cameroon's exports, a number of reports focus misleadingly on statistics of production, trade and local end-use (which, depending on one's assumptions, do not show discrepancies)
- <sup>111</sup> Servicio Nacional de Aduanas, Gobierno de Chile <http://200.72.160.89/estacomex/asp/Exportaciones.asp>
- <sup>112</sup> <http://www.wrm.org.uy/bulletin/134/Chile.html>
- <sup>113</sup> General Administration of Customs of the People's Republic of China
- <sup>114</sup> G Bull and S Nilsson "An Assessment of China's Forest Resources" (2004) table 9 <http://www.forest-trends.org/documents/publications/ifr%20an%20assessment%20of%20China%27s%20forest%20resources.pdf>
- <sup>115</sup> "Illegal Logging and Global Wood Markets: The Competitive Impacts on the U.S. Wood Products Industry" Seneca Creek Associates and Wood Resources International (2004) table 2 (30%) and p 130.  
<http://www.illegal-logging.info/uploads/afandpa.pdf>
- <sup>116</sup> "A Disharmonious Trade - China and the continued destruction of Burma's northern frontier forests" Global Witness (2009) p100  
[http://www.yousendit.com/transfer.php?action=check\\_download&ufid=YkxJUGhEbEpBNkZjR0E9PQ&key=651aa7389d6818152714abbf6e9667753707cb23&bid=Z01OSXQrd0FvQUkwTVE9PQ&rcpt=jbuckrell@globalwitness.org](http://www.yousendit.com/transfer.php?action=check_download&ufid=YkxJUGhEbEpBNkZjR0E9PQ&key=651aa7389d6818152714abbf6e9667753707cb23&bid=Z01OSXQrd0FvQUkwTVE9PQ&rcpt=jbuckrell@globalwitness.org)
- <sup>117</sup> Newsletter 29" ATIBT (2009) p14 <http://www.illegal-logging.info/uploads/StatistiquesLETTREatib29VD.pdf>
- <sup>118</sup> For further information, see <http://www.globaltimber.org.uk/congo.htm> For information about supplies from the other countries which export a mix of species similar to those of the southern forest region of the Republic of Congo, see <http://www.globaltimber.org.uk/gabon.htm> and <http://www.globaltimber.org.uk/eqguinea.htm>
- <sup>119</sup> <http://www.illegal-logging.info/uploads/FalconerCongo0609.pdf> slide 4
- <sup>120</sup> [http://www.wrm.org.uy/bulletin/108/Ecuador\\_FACE\\_PROFAFOR.html](http://www.wrm.org.uy/bulletin/108/Ecuador_FACE_PROFAFOR.html)
- <sup>121</sup> It is unclear how much – neither the FSC nor the PEFC require the provision of statistics concerning the quantity of certified timber that is produced (or traded with Chain of Custody).
- <sup>122</sup> "Overview of FSC-certified forests" FSC (2009) slide 5  
[http://www.fsccanada.org/docs/maps\\_fsc\\_jan\\_200921210343.pdf](http://www.fsccanada.org/docs/maps_fsc_jan_200921210343.pdf)
- <sup>123</sup> "Failing the Forest – Europe's Illegal Timber Trade" WWF (2006)  
<http://assets.panda.org/downloads/failingforests.pdf>  
Note: the nature and extent of illegality in the Baltic States is understood to have declined markedly since the estimates cited in this source of the illegal timber content of the Baltic States' exports was made; in addition their imports from Russia (which did not have a low risk profile) have declined very steeply.
- <sup>124</sup> Based on UN Comtrade, typically [http://comtrade.un.org/db/dqQuickQuery.aspx?cc=44\\*,%20-44,%20-440110,%20-4402\\*,%204701,%204702,%204703,%204704,%204705,%2048\\*,%20-48,%20940161,%20940169,%20940330,%20940340,%20940350,%20940360&px=H0&r=360&y=2008&p=704&rg=2&so=8](http://comtrade.un.org/db/dqQuickQuery.aspx?cc=44*,%20-44,%20-440110,%20-4402*,%204701,%204702,%204703,%204704,%204705,%2048*,%20-48,%20940161,%20940169,%20940330,%20940340,%20940350,%20940360&px=H0&r=360&y=2008&p=704&rg=2&so=8)
- <sup>125</sup> "Timber Smuggling in Indonesia: Critical or Overstated Problem? Forest Governance Lessons from Kalimantan", K Obidzinski, A Andrianto and C.Wijaya (2006) pp vii.  
[http://www.cifor.cgiar.org/publications/pdf\\_files/Books/BObidzinski0601.pdf](http://www.cifor.cgiar.org/publications/pdf_files/Books/BObidzinski0601.pdf)
- <sup>126</sup> "Strengthening the Social Component of a Standard for Legality of Wood Origin and Production in Indonesia" M Colchester (2004) p 14.  
[http://illegal-logging.info/uploads/TNC\\_final\\_report.doc](http://illegal-logging.info/uploads/TNC_final_report.doc)
- <sup>127</sup> "Tropical Timber Market Report" ITTO (1-15 March 2007), p 4.  
[http://www.itto.int/direct/topics/topics\\_pdf\\_download/topics\\_id=32280000&no=11](http://www.itto.int/direct/topics/topics_pdf_download/topics_id=32280000&no=11)
- <sup>128</sup> "Timber Smuggling in Indonesia: Critical or Overstated Problem? Forest Governance Lessons from Kalimantan", K Obidzinski, A Andrianto and C.Wijaya (2006) pp vii.  
[http://www.cifor.cgiar.org/publications/pdf\\_files/Books/BObidzinski0601.pdf](http://www.cifor.cgiar.org/publications/pdf_files/Books/BObidzinski0601.pdf)
- <sup>129</sup> [http://www.fsc.org/fileadmin/web-data/public/document\\_center/publications/case\\_studies/Indonesia\\_Case\\_Study\\_high\\_res.pdf](http://www.fsc.org/fileadmin/web-data/public/document_center/publications/case_studies/Indonesia_Case_Study_high_res.pdf) and [http://www.tropicalforesttrust.com/media/uploaded/TFT\\_Press\\_Release\\_\\_VLO\\_certificates\\_awarded.pdf](http://www.tropicalforesttrust.com/media/uploaded/TFT_Press_Release__VLO_certificates_awarded.pdf)
- <sup>130</sup> [http://www.illegal-logging.info/item\\_single.php?it\\_id=3682&it=news](http://www.illegal-logging.info/item_single.php?it_id=3682&it=news)
- <sup>131</sup> UN Comtrade indicates that the import value of Vietnam's imports of logs and sawn wood during 2007 were \$43mi and \$53mi respectively. Assume unit values in the order of US\$200/m3 for logs and US\$300/m3 for sawn wood and imports changing in line with changes in Vietnam's exports.
- <sup>132</sup> "Borderlines - Vietnam's Booming Furniture Industry and Timber Smuggling in the Mekong Region" EIA (March 2008) final § p6 & p7 <http://www.eia-international.org/files/reports/160-1.pdf>
- <sup>133</sup> National information: Department of Statistics, Malaysia  
Regional information: Malaysia Timber Industry Board (cited by Malaysia Timber Council [http://192.228.217.5/info/index.php?option=com\\_content&view=category&id=34:2007-statistics-on-timber-industries&Itemid=58&layout=default](http://192.228.217.5/info/index.php?option=com_content&view=category&id=34:2007-statistics-on-timber-industries&Itemid=58&layout=default)) Note that the MTIB statistics provide totals for the volume of each major product group that is exported but they do not specify destination country for all the volume exported – particularly for the export of logs from Sabah. The MTIB statistics do not exactly match those of the Department of Statistics. The region of origin of the difference between the total and regional supplies could be either one or more of Peninsular Malaysia, Sabah and Sarawak, including the region for which quantities are provided.

<sup>134</sup> <http://www.bmf.ch/en/news/?show=170>

<sup>135</sup> <http://www.bmf.ch/en/news/?show=129>

<sup>136</sup> “Systems for Verification of Legality in the Forest Sector, Malaysia: Domestic Timber Production and Timber Imports” A Wells, Thang HC and Chen HK (2008) §3 p12 <http://www.verifor.org/RESOURCES/case-studies/malaysia-updated.pdf>

<sup>137</sup> “High Stakes: The Need to Control Transnational Logging Companies: A Malaysian Case Study” World Rainforest Movement and Forests Monitor (1999) <http://www.forestsmonitor.org/en/reports/550066/550073>

<sup>138</sup> During mid-2008, 4.8 million hectares of Permanent Reserved Forest was MTCS-certified across Malaysia (97% in Peninsular Malaysia) – final page “News” Malaysian Timber Certification Council (August 2008) <http://www.mtcc.com.my/MTCC%20Newsletter/MTCC%20News%20Vol.%202.%20Issue%205.pdf> This is slightly more than what the area of the entire Permanent Forest Reserve Peninsular Malaysia was during 1995 – table 5.2 p34 “Spatial Data Requirements In Sustainable Forest Management A Study In Four Tropical Countries” [http://www.itc.nl/library/papers\\_1999/general/user5.pdf](http://www.itc.nl/library/papers_1999/general/user5.pdf)

The validity of one of the two concessions in Sarawak expired during October 2009 (five years from 18<sup>th</sup> October 2004) – see penultimate § p3 “Public Summary of Assessment of Sela’an-Linau FMU for Forest Management Certification” (2004) <http://www.mtcc.com.my/Sela%27an%20Linau%20-%20Final/Public%20Summary%20of%20Assessment%20and%20Verification%20for%20Sela%27an-Linau%20FMU%20%28Sarawak%29.pdf>

<sup>139</sup> The volume of MTCS-certified timber exported from Malaysia during 2008 was roughly 84,000m<sup>3</sup> (- approximately half its RWE volume) - <http://www.mtcc.com.my/documents.asp#news> (various editions). This compares with an IRW production from natural forest in Peninsular Malaysia of roughly 3.8 million cubic metres – Slide 6 “Malaysia – EU FLEGT VPA Negotiations” Freezailah Che Yom (2009) [http://www.forest-trends.org/~foresttr/documents/files/doc\\_701.pdf](http://www.forest-trends.org/~foresttr/documents/files/doc_701.pdf)

<sup>140</sup> Annual Forestry Export Statistics” Ministry of Agriculture and Forestry <http://www.maf.govt.nz/statistics/forestry/annual/annualexports.htm>

<sup>141</sup> “Position on FSC Principle 10” New Zealand Forest Owners Association, New Zealand Forest Industries Council, New Zealand Farm Forestry Association (2004) <http://www.old.fsc.org/plantations/docs/Resources%20-%20Stakeholder%20submissions/NZ%20Industry%20Association%20-%20Position%20on%20Principle%2010.pdf>

<sup>142</sup> “FSC Certification in Australia and New Zealand Is it making a difference?” Jodie Matheson and Loy Jones (2007) [http://www.fscaustralia.org/files/100/fsc%20does%20it%20make%20a%20difference%20anzif\\_mason\\_220307%20-%20282%29.pdf](http://www.fscaustralia.org/files/100/fsc%20does%20it%20make%20a%20difference%20anzif_mason_220307%20-%20282%29.pdf) §1 p2

<sup>143</sup> UN Comtrade indicates the import value of Vietnam’s imports of logs during 2007 was \$20mi. 100,000m<sup>3</sup> of imports in 2008 assumes an import value per cubic metre in the order of US\$160/m<sup>3</sup> (similar to that imported from PNG by China) and imports changing in line with changes in Vietnam’s exports. Vietnam imported 136,000m<sup>3</sup> of logs from Papua New Guinea during 2004 - [http://www.fiapng.com/logexports\\_comb\\_2001\\_2004.pdf](http://www.fiapng.com/logexports_comb_2001_2004.pdf) page 3

<sup>144</sup> “Logging, Legality, and Livelihoods in Papua New Guinea: Synthesis of the Large Scale Logging Industry - Volume 1” Forest Trends (2006) p 2 <http://www.forest-trends.org/documents/publications/PNG%20Volume%201%20Final%20v2%20Feb%2016%202006.pdf>

Note: significantly, this conclusion has not been drawn by the government.

<sup>145</sup> <http://www.forestry.sgs.com/documents/papuanewguinea.pdf>

<sup>146</sup> <http://www.forestalert.org/forest.php?id=148&lang=en> (search term: JANT)

<sup>147</sup> “Issues and opportunities for the forest sector in Papua New Guinea” ODI (2007) §1 p11 <http://www.odi.org.uk/resources/download/74.pdf>

<sup>148</sup> UN Comtrade indicates that the import value of Vietnam’s imports of logs during 2006 was \$2mi. 10,000m<sup>3</sup> of imports in 2008 assumes an import value per cubic metre in the order of US\$200/m<sup>3</sup> and imports changing in line with changes in Vietnam’s exports.

<sup>149</sup> <http://www.fechters.co.za/company/index.htm>

<sup>150</sup> The Customs Department of the Kingdom of Thailand <http://www.customs.go.th/Customs-Eng/Statistic/Statistic.jsp?menuNme=Statistic>

<sup>151</sup> “Greenwash - Critical analysis of FSC certification of industrial tree monocultures in Uruguay” Ricardo Carrere for WRM (2006) <http://www.wrm.org.uy/countries/Uruguay/text.pdf> §1 Introduction

<sup>152</sup> United States International Trade Commission: Trade DataWeb [http://dataweb.usitc.gov/scripts/user\\_set.asp](http://dataweb.usitc.gov/scripts/user_set.asp)

<sup>153</sup> “Assessment of Lawful Harvesting & Sustainability of US Hardwood Exports” Seneca Creek for AHEC (2009) [http://www.ahec-europe.org/fileadmin/docs/Seneca\\_Creek\\_Study/Seneca\\_Creek\\_Study\\_-\\_Executive\\_Summary.pdf](http://www.ahec-europe.org/fileadmin/docs/Seneca_Creek_Study/Seneca_Creek_Study_-_Executive_Summary.pdf)

<sup>154</sup> Source: based on Eurostat

<sup>155</sup> Source: based on Trade Statistics of Japan

<sup>156</sup> Source: based on United States International Trade Commission Trade DataWeb