



# **Changing International Markets For Wood Products: How is Viet Nam Responding?**

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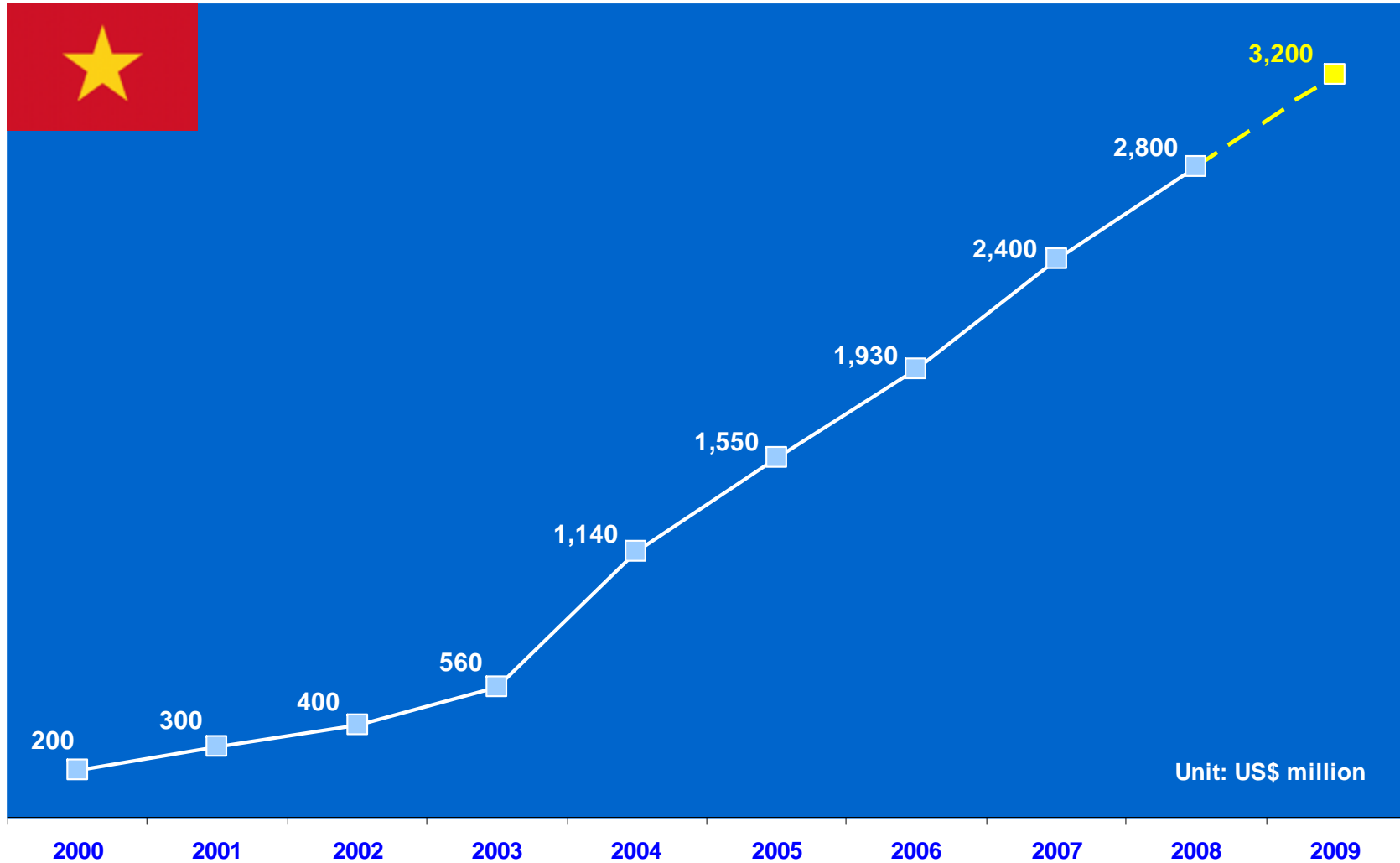
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## Viet Nam's wood-processing industry

## Viet Nam's furniture exports, 2000–09





## Structure, growth and economic importance

- About 2,500 enterprises – 98% of which specialise in making furniture, including about 700 furniture export enterprises.
- Number of enterprises grew by 23.5% a year in 2005–07.
- Furniture export sector is Viet Nam's fifth-largest export earner, and a major employer of women and rural labour.
- Furniture export market spans more than 120 countries, but the top 3 markets by value are the US, Japan and the UK (in that order).
- Exports to China, however, are growing fastest (55% annual growth between 2005 and 2006).
- Recent downturn has hit exports hard, though furniture makers are looking to exploit new markets, e.g. China, Russia, the Middle East.
- A recent trade pact has given Viet Nam duty-free access to Japan's domestic wood products market for the next 10 years.



## Development challenges – Many!

- Shortage of skilled workers and low labour productivity.
- Limited links and cooperation between enterprises.
- Lack of supportive credit and investment policies.
- Limited domestic production means a high level of dependence on imported wood and accessories (paint, glue, paper, etc.):
  - Furniture industry depends on imports for about 80% of its wood supply.
  - Top 5 suppliers by value are: 1) Malaysia; 2) Laos; 3) USA; 4) China; and 5) Myanmar.
  - Viet Nam's Forestry Development Strategy (2006–20) aims to reduce this dependence through plantations. Nevertheless, by 2020 Viet Nam still expects to import 20%, or 2.5 million m<sup>3</sup>, of its wood demand.
  - Legality and sustainability of these imports under close scrutiny, most recently by EIA/Telapak in their 2008 report “Borderlines”.
  - Furniture industry is also facing increasing demands for legality or sustainability assurances in its main export markets.



The developing response to changing markets



## Industry initiatives

- The industry response has been slow to unfold, but that is now changing.
- Viet Nam currently has only one FSC-certified (plantation) forest of 9,904 ha, but it has about 170 FSC chain-of-custody certificates.
- A Viet Nam branch of the Global Forest & Trade Network (GFTN) was launched in 2005. This currently has 7 members (one of which is reportedly close to FSC forest management certification).
- A national initiative to develop an FSC-compliant forest management standard is ongoing.
- The scarcity and high cost of imported certified timber are two constraints to expanding chain-of-custody certification.
- Much of the certified timber available to Vietnamese manufacturers is also unsuitable for high-quality furniture.





## Government initiatives

- Internationally, Viet Nam is participating in key processes such as East Asia FLEG, the Asia Forest Partnership (AFP), and the Pan-ASEAN Timber Certification Initiative.
- Nationally, Viet Nam's Forestry Development Strategy (2006–20) calls for:
  - Development of domestic forest reserves to replace imports.
  - Certification of 30% of national production forests by 2020.
  - Development and upgrading of export processing industry.
- In 2008, Viet Nam opened discussions with the European Commission on collaborating under the EU FLEGT Action Plan. The two parties have since formed a Technical Working Group to examine the options for possible collaboration.
- A UK consultancy, ProForest, is about to undertake a preliminary assessment of the options for cooperation and their likely impacts.



## IUCN's role and approach



## IUCN in Viet Nam

- IUCN's aims in Viet Nam are to:
  - To increase awareness and capacity for relevant stakeholders to implement forest law enforcement, governance and trade actions
  - To build capacity of stakeholders in government, industry and civil society to participate in and implement forest governance reforms more effectively
- IUCN is working primarily at the national level, using lessons drawn from participatory research at the field and community level (for example on community forestry regimes).
- IUCN has built close links to government and civil society, and is working with international partners such as WWF, the World Bank, Tropenbos International and SNV (Netherlands Development Organisation).



## IUCN's FLEGT-related role and approach

- At the request of the Ministry of Agriculture and Rural Development (MARD) IUCN has been helping to build awareness and understanding of changing market conditions and associated initiatives, e.g. the EU FLEGT Action Plan.
- IUCN's approach to date has comprised three main elements:
  1. Providing information, e.g. Vietnamese translations of EC's FLEGT Briefing Note series; FLEG briefing sessions.
  2. Facilitating multi-stakeholder round tables, e.g. national round table in April 2008; private sector round table in October 2008.
  3. Building capacity of key stakeholders to participate effectively in emerging national dialogue on FLEGT and related issues, e.g. planned training course on market changes and response options.



## Focal activities, 2009–10

- Development and delivery of a training programme.
- Creation and facilitation of a network to share information, best practices and other resources on FLEGT and related options for responding to market changes.
- Facilitation of a series of round table dialogues to convey information, identify needs and concerns, and discuss responses.
- Support for information and analysis products that fill major gaps in information available to stakeholders in Viet Nam (includes scoping study of forest law enforcement, governance and trade indicators).
- Support for study tours and participation at international meetings to promote cross-fertilization between Viet Nam and related initiatives in other countries or regions.



## Emerging challenges for Viet Nam



## Low levels of awareness and understanding

- Confusion over terminology (FLEG vs. FLEGT vs. FSC etc.).
- Confusion over purpose and scope of EU FLEGT Action Plan (is it a tool, a project, a funding programme??).
- Confusion over responsibilities and returns (a common question is who will bear the costs of FLEGT-related actions?).
- Levels of understanding vary between and within different stakeholder groups, e.g. understanding is highest in government, followed by the private sector, then civil society. Within government, however, awareness is limited to the Ministry of Agriculture and Rural Development (which is responsible for forests), and within the Ministry, it is limited mainly to the International Cooperation Department, which is the designated national FLEGT focal point.



## Uncertainty over a processing country VPA

- Viet Nam is a processing country, not a producer like other countries negotiating VPAs (Voluntary Partnership Agreements) under the EU FLEGT Action Plan.
- So, if Viet Nam were to pursue a VPA (and it is still highly uncertain whether it will do so), what form would it take? For example:
  - Could a VPA be extended to cover furniture? (probably yes)
  - How would Viet Nam deal with the many countries (around 30 in all) from which it imports timber? Would it simply legislate that imports must be verified as legal, or would it work with its main suppliers to establish systems of export licensing and monitoring?
  - Roughly 170, or 25%, of Viet Nam's furniture export enterprises are chain-of-custody certified. What would be the cost and potential impact on jobs of implementing chain-of-custody controls in the remaining 530 enterprises, many of which are small or medium businesses?





## Ensuring an open and inclusive dialogue

- Launching a multi-stakeholder process in support of e.g. a VPA can be difficult and messy. It is essential to build trust from the outset, and to maintain frequent communications.
- That means being open about what is being discussed and what decisions are being made.
- The emerging FLEGT process in Viet Nam has so far been government-to-government, but some privileged industry actors are party to the discussions.
- The circle of government stakeholders is currently limited to MARD, but support from a broader range of agencies at central, provincial and local levels will eventually be needed.
- Civil society participation will also be crucial, but defining civil society and what it means in the Vietnamese context is challenging.



Thank you.  
Any questions?