

The Lao-Viet Timber Trade: Current Practices and Strategies to Promote Sustainability

This article summarizes results of a workshop on the Lao-Viet timber trade held in December 2012 and hosted by the Quang Tri Peoples' Committee, the Vietnam Timber and Forest Products Association (VIFORES) and Forest Trends.

Workshop Date: December 7th, 2012.

Location: Quang Tri

Workshop Objective: To discuss governance issues surrounding the timber trade between Quang Tri and neighbouring Lao provinces.

Participants: Representatives from the Quang Tri People's Committee, Customs Department, Forest Protection Department, timber trade associations (VIFORES, Binh Dinh FPA, Dong Ky Association, HAWA), Vietnam Administration of Forests (Ministry of Agriculture and Rural Development), Import-Export Department (Ministry of Industry and Trade), international organizations, timber processors and trading companies in Quang Tri.

Background: The Lao-Vietnam Timber Trade

Laos has become one of the five largest suppliers of timber to Vietnam. The total value of timber imported to Vietnam from Laos reached US\$313.65 million in 2011, accounting for 23% of the US\$1 billion that Vietnam imported that year. In 2009 Laos accounted for only 10.6% of the total value of timber imported by Vietnam.

Laos has become an important timber source for Vietnam's burgeoning wood processing industry and in recent years several environmental organizations have accused the Vietnamese timber processing industry of using illegally sourced Lao timber, therefore contributing to forest loss in Laos.

Vietnam is currently negotiating a Forest Law Enforcement, Governance and Trade (FLEGT) Voluntary Partnership Agreement (VPA) with the European Commission (EC) in accordance with the EU's Forest Law Enforcement, Governance and Trade (FLEGT) Action Plan. Laos will start a VPA negotiation with the EC in mid-2013. One of the primary objectives of the VPA is to ensure the legality of timber imported by the EU. Both countries aim to develop a Timber Legality Assurance System (TLAS) affecting all points of the timber supply chain from Laos to Vietnam and on to the EU.

The Lao Bao Border gate, located in Vietnam's Quang Tri province, is one of the most important transit points for the Lao-Viet timber trade. Between 100,000 to 200,000 cubic meters (m³) of timber move through this gate every year involving approximately 150 timber trading companies.

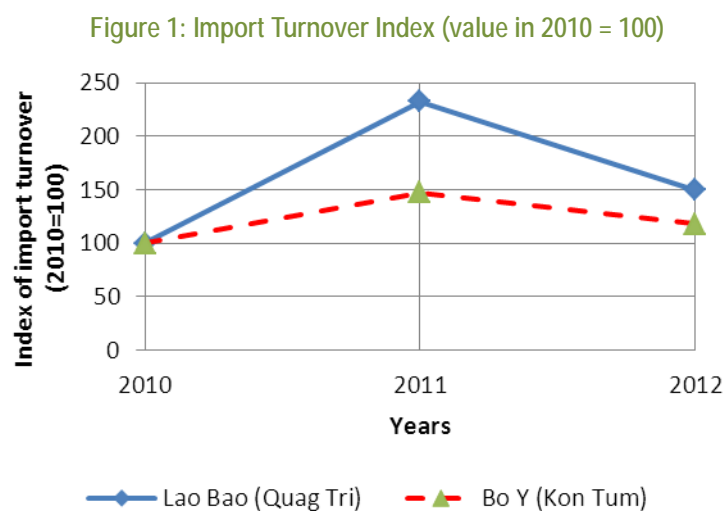
The Quang Tri Peoples' Committee currently has strong political and economic relations with several neighbouring Lao provinces. This suggests there is great potential for Laos and Vietnam to discuss mechanisms for monitoring and controlling for the trade of legally sourced timber across the border to contribute to the design and implementation of VPAs in both countries.

Lao Bao and Bo Y Border Timber Trade

Vietnam and Laos share seven border gates. The most important gates in terms of trade volume and turnover are in Lao Bao and Bo Y. In 2012¹, 120,000 m³ RWE of timber valued at US\$130 million passed through Lao Bao and 94,000 m³ RWE valued at US\$40 million passed through Bo Y. The value of timber traded through Lao Bao is considerably higher than that of Bo Y.

Figure 1 shows import data from 2010 to 2012. In both border gates the import turnover increased from 2010 to 2011 and then decreased in 2012 (Figure 1). This decrease is primarily explained by the fluctuating price of precious timbers exported to China. However, the imported values in 2012 were still higher than 2010 (50% in Lao Bao and 18% in Bo Y).

From Quang Tri, the imported timber was sold to wood villages² (30%), exported directly to China (60%) or sold onward to timber processors (10%). The processors in Quang Tri are now gradually using more timber harvested from Vietnam's own production forests. Imported timber now accounts for only 25% of raw materials used (Phuong Thao Ltd. Company).



Wood Villages Use of Imported and Domestic Materials

The Dong Ky Timber Association participated in the workshop as a representative of the 300 companies and 2,500 household-based processors in Dong Ky employing 13,000 laborers. On average, Dong Ky consumed 34,000 m³ RWE of mainly Lao, Cambodian and Thai imports. However, Dong Ky manufacturers have been shifting to domestic-sourced timber from production forests as the volume of precious hardwoods from natural forests has declined.

Topics Discussed during Workshop

- Timber trade trends between Laos and Vietnam via the Lao Bao and Bo Y borders
- Emerging legality requirements in the global timber market
- Policy options for the mitigation of potential negative impacts of not only illegal timber harvesting and trade, but also the impacts of increased enforcement, on local livelihoods and the environment
- How to empower stakeholders to provide constructive input to the VPA processes in Laos and Vietnam
- The proposal to add Siamese Rosewood to Appendix 2 of CITES

¹ Data was only collected through November 2012

² Vietnamese villages where wood processing dominates the village economy with small and medium-sized enterprises, mostly household-based.

Recommendations of Workshop Participants

- The trading value of timber through Bo Y and Lao Bao decreased from 2011 to 2012, though the 2012 value was still higher than that of 2010. If Chinese traders do not import timber through these border gates, the value may continue to decrease in the future.
- If Vietnam and Thailand suggest including Siamese Rosewood in Appendix 2 of CITES, Vietnamese authorities should inform timber trading companies before the proposal is submitted so that they can adapt in time and mitigate risks from their Lao investments.
- Since processors in Quang Tri and small producers in Dong Ky are changing their behavior to use raw materials from production forests, the TLAS and VPA should be developed not only with input from civil society but also with companies and enterprises so that all stakeholders are clear on the agreement before it is signed.

Box 1. Some Comments from the Participants

Laos' negotiations with the EU regarding the FLEGT/VPA will affect the import volume of timber from Laos. Therefore, those who believe that timber non-exporters are uninterested in the FLEGT/VPA are incorrect. Should Vietnamese companies be prepared to meet the new regulations as well as international trade agreements?"

"Vietnamese companies/enterprises want the government involved in the FLEGT/VPA. However, we should first assess who will be impacted most and how best to avoid confusion once the agreement is signed."

**This Workshop Summary was written by Quang Viet Dang and Phuc Xuan To,
edited by Kerstin Canby, and supported by UKAID and NORAD.
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