

Vietnam's Wood Villages: Relevance for FLEGT and REDD+

This Information Brief summarizes results from a 2012 field study on Vietnamese wood villages and discusses implications for FLEGT and REDD+. The brief is a summary of a full report available in Vietnamese which was written by Tô Xuân Phúc, Nguyễn Tôn Quyền, Lê Duy Phương, Cao Thị Cẩm.

Partner:



Introduction

There are approximately 300 wood villages in Vietnam specialized in producing furniture and other timber products. These villages are a part of a larger group of traditional craft villages recognized by the Vietnamese government (others are known for silk, pottery, paintings, etc.). Wood villages play an important role in local and national economies, earning a total annual revenue of US\$1.5 billion. Although most enterprises are small, consisting of an average of 10-15 workers per unit, they provide an important source of income for households and are responsible for employing 300,000 laborers, mostly in rural areas.

Vietnamese wood villages also have significant environmental impacts. The annual volume of timber used by these villages is estimated to be between 350,000-400,000 m³ (RWE) from domestic and foreign sources, including natural forests, timber plantations, and small plots of land. Many wood villages are associated with air pollution and low safety standards. Given the links between wood villages, livelihoods, and environmental and social regulations, it is important to consider their development in the context of relevant international policy processes such as efforts to reduce deforestation and forest degradation (REDD+) and promote forest law enforcement, governance, and trade (FLEGT).

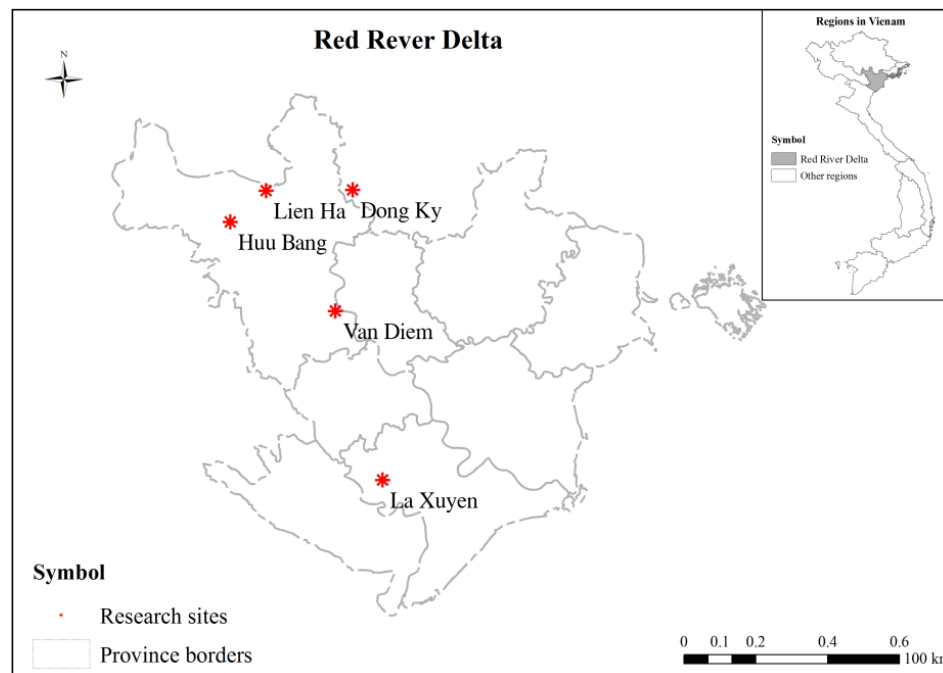
This information brief summarizes results from a 2012 field study conducted in the Red River Delta (Figure 1), a region in northern Vietnam where nearly half of all wood villages are located. The villages studied were Dong Ky, Van Diem, La Xuyen, Huu Bang, and Lien Ha. Researchers conducted interviews with 16 companies and 140 households to collect data on the most common timber sources and species used, types of wood products made, key markets, labor practices, and compliance with relevant regulations. The full report is available in Vietnamese.¹

Key Findings:

- **Vietnamese wood villages use various forms of timber from domestic and imported sources, and buyers rarely request documentation to verify origin or legality.** Buyers are primarily interested in timber price and quality and express little to no concern for legal sourcing. Furthermore, producers often combine different wood species and materials into single products, making it very difficult to identify origin and legality. In order to avoid a ten-percent value-added tax, buyers rarely request invoices from sellers.
- **Law enforcement is weak and knowledge of regulations is low.** Most producers have a limited awareness of timber-related regulations and the Vietnamese government does not have sufficient enforcement capacity. Households are usually not members of professional organizations such as associations which limits their access to international market information.

¹ For an unedited English translation of the full report, please contact Phuc Xuan To at pto@forest-trends.org.

Figure 1. Five Wood Villages Studied in the Red River Delta



- **There are concerns that increased enforcement of legality requirements would have negative livelihood impacts.** As part of the Voluntary Partnership Agreement (VPA) that Vietnam is negotiating with the EU, a Timber Legality Assurance System (TLAS) is being developed to apply to timber for both domestic and export markets. When surveyed, households indicated that production costs will increase if they are required to provide invoices and proof of legality, and they believe this will negatively affect profits and the future growth of wood villages. They emphasized the importance of creating a level playing field, so that if enforcement is increased, it is fair and applies equally to all manufacturers. However, only one of the wood villages surveyed exports directly to China² (Dong Ky) and none export directly to the U.S. or EU. Most households are not prepared to take on the additional costs of verifying legality, especially when there is such low demand for legal wood from domestic and neighboring markets.
- **Non-compliance with environmental regulations and safety standards is common.** For example, most employees typically negotiate work terms and salaries through verbal agreements rather than formal labor contracts and employers are often unfamiliar with the Labor Law and safety regulations. This is a concern since wood processing is heavily dependent on machines and equipment and the risk of accidents is high. The TLAS will require stricter enforcement of labor, safety, and transport regulations, affecting actors throughout the supply chain. Ensuring compliance will require additional time, costs, and managerial expertise which wood villages are not currently prepared for.

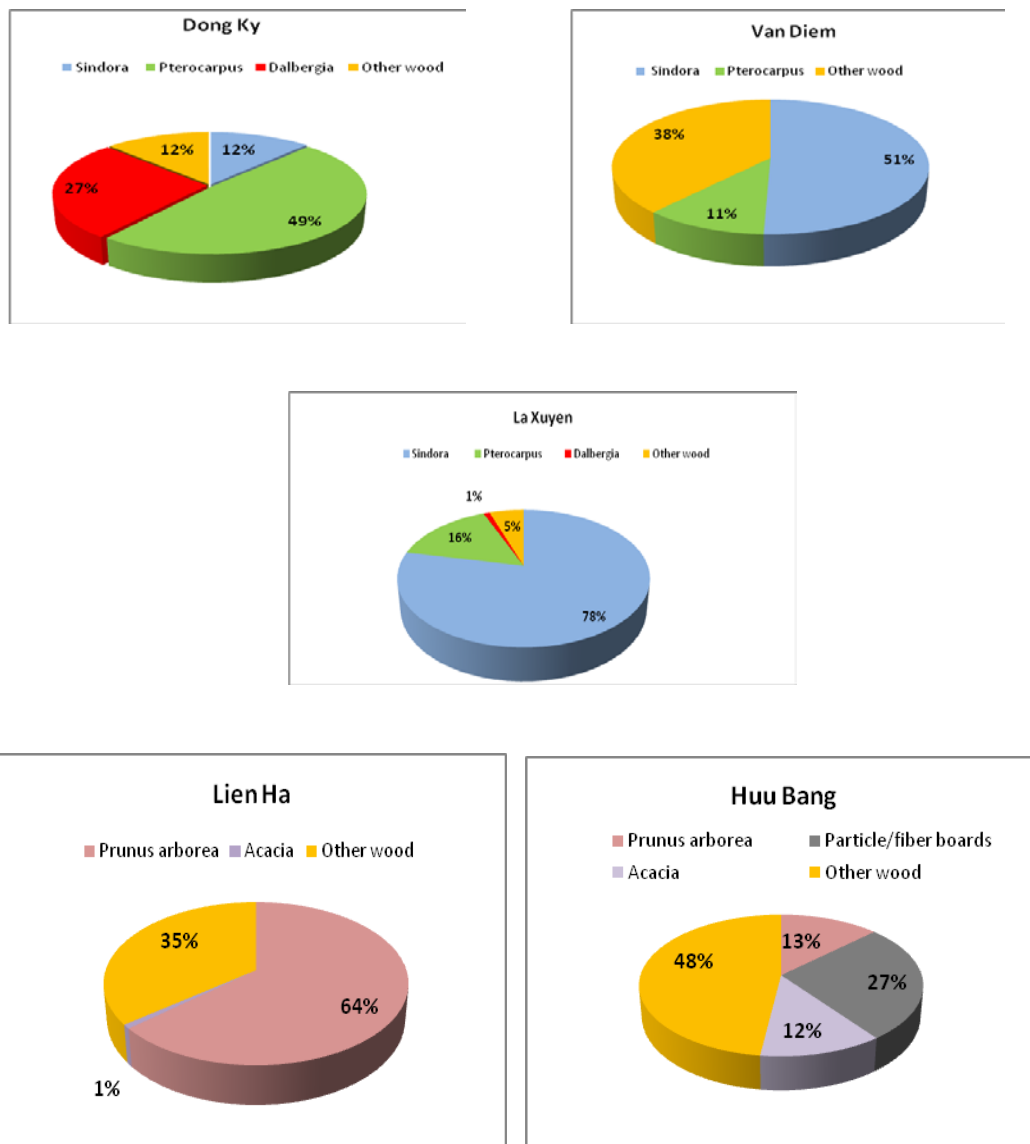
² Approximately 60 percent of products from Dong Ky are exported to China, where dealers reportedly prefer precious woods such as Siamese rosewood (*Dalbergia cochinchinensis*).

This Information Brief was financed by the UK's Department for International Development (DFID) and the Norwegian Agency for Development Cooperation (NORAD). It was written by Phuc Xuan To and edited by Quang Viet Dang and Eve Richer.

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Figure 2. Types of Timber Species Used in Each Village



Conclusion

There have been few studies on wood villages to date, so this report offers unique insight into the wood use, labor practices, and attitudes of households and companies involved in this industry. Implementation of FLEGT and REDD+ activities will have significant impacts on wood villages, even though the majority of their products remain on the domestic market. Further research is needed to better understand the wood village sector across Vietnam and ensure that FLEGT and REDD+ initiatives ensure positive social, economic, and environmental outcomes and minimize negative livelihood impacts.