



Vietnamese Wood Villages in Changing Timber Markets

This article summarizes the results of three workshops on Vietnamese wood-processing villages and new timber legality requirements in international markets.

Workshop Date: January 24th, March 14th, and March 28th, 2013

Locations: Dong Ky-Tu Son, La Xuyen-Yen Ninh, and Chang Son commune, Vietnam

Workshop Objective: To inform participants of new timber legality requirements in international markets.

Participants: The Ministry of Agriculture and Rural Development, Ministry of Industry and Trade, Timber Products Associations, local authorities, the district's Department of Forest Protection, households, companies and village cooperatives.

Background

Vietnam has more than 300 wood-processing villages, 50 percent of which are located in the Red River Delta. These villages consume approximately 350-400 thousand cubic meters (m³) roundwood equivalent (RWE) per year, mostly for furniture and wooden carvings. Most manufacturers in these villages are households processing large quantities of timber from natural forests legally restricted from commercial use. However, these small manufacturers tend not to be concerned about the legality of their timber and are rarely in compliance with environmental and labor regulations. Many are not even aware of new regulations and thus unable to properly assess the legality of their timber.

Vietnam is currently negotiating a Forest Law Enforcement, Governance and Trade (FLEGT) Voluntary Partnership Agreement (VPA) with the EU. Household-based manufacturers in these wood-carving villages will be directly affected by VPA implementation, and in fact should already be affected by changes in market demand in Europe, the United States, and Australia since the enactment of the EU Timber Regulation, Lacey Act, etc. However, since small village manufacturers do not have access to information related to the FLEGT VPA process, nor the new legislative requirements in some of Vietnam's major export markets, they are unprepared for potential direct changes in Vietnamese timber regulations which may be identified by Vietnamese stakeholders during the VPA process (e.g. stricter controls on timber legality and chain-of-custody controls). Such regulations could negatively impact small-scale manufacturers and poor laborers whose income depends on the timber industry. Producers in wood-carving villages need to be better informed and included in FLEGT VPA discussions to mitigate potential negative impacts from potential policy changes.¹

¹ It is important to note that no true financial cost-benefit analysis has been conducted in Vietnam to assess the true impacts of likely changes brought about by the FLEGT VPA process, especially those that might be incremental to existing changes required by the major Vietnam wood product export markets in the US, Europe and Australia.

Topics Discussed during Workshop

Forest Trends collaborated with Dong Ky Wood Carving Association to hold three workshops entitled “Vietnamese Wood Villages in Changing Timber Markets,” to inform participants of new timber legality requirements in international markets.

It was noted that predominantly forest communities in the FLEGT-Vietnam NGO (VNGO) network have been consulted about the FLEGT VPA process. Although companies have been involved in the policy dialogue, household-based manufacturers in wood carving villages have been largely left out of the conversation.

The workshop was divided into two parts. In the morning, participants visited household-based manufacturers, timber cooperatives and companies, observing that timber products in wood-carving villages are primarily handmade.² The majority of manufacturers in these villages are household-based, despite the existence of cooperatives and companies which have advantages in timber purchasing and product sales, but overall these businesses are still in the minority and not particularly popular. Traders are another important stakeholder, providing access to both raw materials as well as access to final markets.

In the afternoon, participants listened to four presentations:

1. Current state of wood carving villages at the workshop site
2. Results of a wood village study in the Red River Delta
3. Forest Law Enforcement, Governance and Trade, Draft version 6 of the Legal Timber Definition
4. Master plans of the wood processing industry through 2030

Challenges for Small-Scale Manufacturers and Government Officials

The major concerns expressed in the workshops surround the perceived challenges manufacturers face to comply with the Timber Legality Assurance System (TLAS) component of the VPA and regulations (new or existing) which will need to be more effectively enforced. Household-based and company manufacturers understand that the signed VPA will not only affect timber products for export but also for the domestic market. Small manufacturers indicate that they do not currently have the capacity to comply with regulations. They often hire laborers without written contracts and fail to adhere to environmental standards. With new regulations, manufacturers feel they may face additional challenges and higher production costs while at the same time be unsure if they will attain any market advantage by being in legal compliance (market access or premiums). According to VPA/TLAS draft documents, particularly Circular 01 concerning legal documentation and verification of origin,³ virtually all timber products produced by surveyed household manufacturers would be considered illegal since these households rarely request documentation on timber origin when purchasing materials and will likely continue to do so as long as illegal timber remains cheaper than legal timber. Households are unaware of or do not understand the content of Circular 01, and would be reluctant to allow forest protection officers to certify timber origin.

The forest protection department does not have enough resources, skills, and staff to monitor timber legality and audit all input materials and output products. In Tu Son, for example, there are fifteen wood carving villages consisting of many thousands of timber producers – mostly household-level. More than 6,000 geographically dispersed households alone exist in just Dong Ky, Tam Son, and Huong Mac villages. Regional forestry staff do not have the capacity to monitor the timber materials and timber coming through all households. For this reason they only certify timber materials and products processed by companies.

Workshop Recommendations

² Although several sites have Chinese-manufactured automated carving machines installed, such as ten manufacturers in Dong Ky.

³ The Circular 01 specifies which legal documents must be presented during timber transportation/processing to verify origin. It also outlines how to check and certify these legal documents.

Participants in the three workshops focused their recommendations on the following areas:

1. **Centralizing local timber markets:** Regional timber markets allow for easier trade, monitoring, and auditing of wood products, from raw materials through to final product. Participants recommend developing a timber marketplace in each region to make it easier to monitor and audit the legality of timber materials passing through each village. Modernizing the timber certification process and developing a computerized certification system will increase efficiency. It will also be helpful to demonstrate best practices in complying with environmental, labor and timber legality regulations.
2. **Computerized timber certification process:** The Government of Vietnam could computerize the timber certification process to improve the efficiency of forest protection officers and help all producers demonstrate compliance with environmental, labor, and timber legality regulations.
3. **Improved FLEGT VPA consultation process:** Representatives from wood-carving villages should be better involved in and consulted on issues being discussed within the FLEGT VPA negotiations, to mitigate potential risks and ensure that small-scale manufacturers are aware of upcoming regulatory changes. The success of the VPA after negotiation and ratification will depend on the inclusion and participation of these villages which have been to-date largely left out of the VPA process (although the FLEGT VNGO and large companies have been involved).
4. **Government support for small household manufacturer during transition period:** The central government, particularly the Ministry of Agriculture and Rural Development (MARD), could develop a program to support small household manufacturers as they begin to understand and comply with new market and VPA-identified requirements. The purpose of the support program will be to raise awareness of regulations and build the capacity of small manufacturers to comply with timber legality regulations and labor standards. Demonstration of successful regulation compliance should be done during the negotiation process to ensure the success of the VPA. MARD and other agencies can use public media such as television and radios to disseminate up-to-date information to households.
5. **Government programs to produce more legal and valuable timber used by the wood villages:** Participants also recommended the central government develop a master plan to grow precious timber. This would reduce the cost of input materials and provide villages with the necessary timber supply to meet market demands.

Forest Trends
1203 19th Street, NW
Washington DC 20036 USA
www.forest-trends.org

