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## Background to the research

This country note presents Chatham House's assessment of the likelihood of illegality in the supply chains of the main wood-based products exported by Vietnam. It was prepared to inform our analysis of illegal trade at the international level which has been published as part of the report '[Establishing fair and sustainable forest economies: lessons learned from tackling illegal logging](#)'. This is the most recent in a series of reports on governance and legality in the forest sector in the forest sector, an issue that Chatham House has been monitoring since 2008.

The country note has been published as a background document to explain how the international estimates of illegal trade were made. Thus, it is not intended to provide a comprehensive review of all the available data and information on forest sector legality for Vietnam. International and national experts in Vietnam's forest sector provided feedback on preliminary versions of the country note.

## Overview of imports

Vietnam's imports of most types of wood-based products increased rapidly during the period 2000–2018 (see Figure 1). Much of this will have been transformed prior to onwards export.

The Congo Basin, primarily Cameroon, supplied roughly one-third of the volume of logs that Vietnam has imported in recent years. A high proportion of that timber is likely to be illegal.<sup>1</sup> Some of it will have served as an alternative to wood from Cambodia, Laos and Myanmar, which has become less readily available due to export prohibitions in these countries. Malaysia (Sarawak and, to a lesser extent, Sabah) used to supply a substantial volume of logs to Vietnam.

The EU28 (now EU27), Papua New Guinea and Uruguay account for most of the remaining volume of logs that Vietnam imports. The EU and Brazil supply most of the volume of sawnwood (both as coniferous and non-coniferous species) attributed to 'Rest of world' in Figure 1.

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<sup>1</sup> See relevant country notes for the region. And for Cameroon, see EIA & CED (2020), *Tainted Timber, Tarnished Temples. How the Cameroon-Vietnam Timber Trade Hurts the Cameroonian People and Forests*, EIA, [https://content.eia-global.org/posts/documents/000/001/133/original/EIA\\_CED\\_report\\_tainted\\_timber\\_tarnished\\_temples.pdf](https://content.eia-global.org/posts/documents/000/001/133/original/EIA_CED_report_tainted_timber_tarnished_temples.pdf)

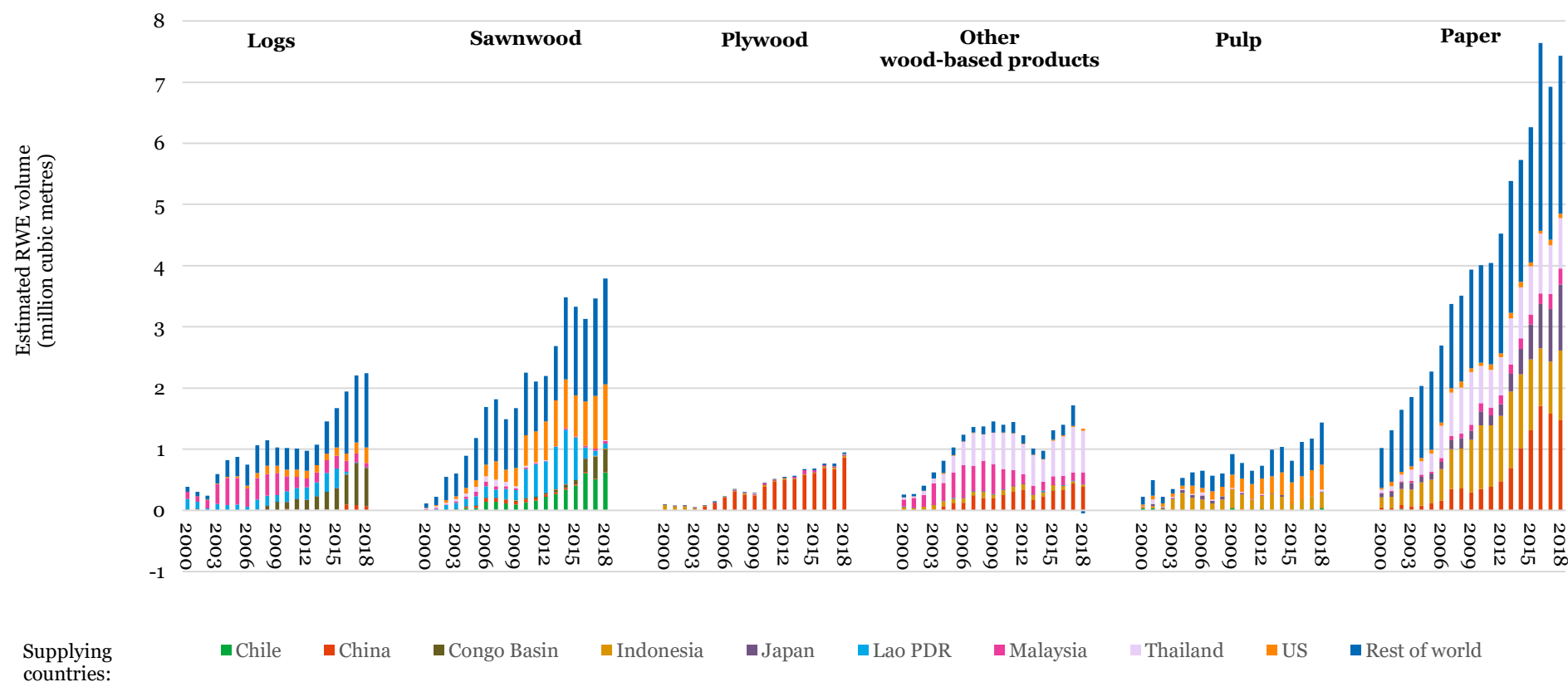


Figure 1: The supply of wood-based products to Vietnam<sup>2</sup>

Source: Based on supplying countries' exports, UN Comtrade and reports of the Vietnam Timber and Forest Products Association

(<https://goviet.org.vn/>)

<sup>2</sup> Standard conversion rates to estimate roundwood equivalent volume have been adopted for all countries, because of a lack of published data for many countries. The rates adopted are as follows, m<sup>3</sup> per m<sup>3</sup>: 1.8 sawnwood, 2.3 plywood; and m<sup>3</sup> per tonne: 1.6 chips, 3.5 paper, 4.5 pulp.

## Overview of exports

All commercial logging in Vietnam's natural forest has been prohibited since 2017, partial prohibitions having been introduced and extended during previous years.<sup>3</sup> Consequently, the country's exports of wood-based products now derive from imports and/or domestic plantations. Smallholders supply most of the plantation-grown wood,<sup>4</sup> and much of this is exported as chips to China, Japan and, to a lesser extent, South Korea and Indonesia. Exports of chips increased rapidly over the period 2000–2018 (see Figure 2).<sup>5</sup>

The increase in Vietnam's exports of timber sector products in the last decade partly reflects a shift in global production away from China. Vietnam's exports of plywood increased rapidly, primarily to South Korea (until 2019). Exports of wooden furniture grew steadily but strongly during 2000–2018. The US accounted for almost all of that increase.

Sawnwood and veneer (particularly from plantation-grown trees) and, in some years, logs comprise much of the total supplied to China (these are shown in Figure 2 under 'Other wood-based products').

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<sup>3</sup> IUCN (2018), 'How to increase the value of Vietnam's forestry sector?', IUCN blog, 5 July 2018, <https://www.iucn.org/news/viet-nam/201807/how-increase-value-vietnams-forestry-sector>

<sup>4</sup> IMM (2021), 'Vietnam', FLEGT Independent Market Monitor, <https://flegtimm.eu/country-profiles/viet-nam/> (accessed 30 Aug. 2021); Cavallo E. (2010), 'Farmers' Forests and Crop Land for Wood Pulp Factories? – The mean business practices of InnovGreen in Vietnam', VietNamNet, 12 March 2010, <https://chrislang.files.wordpress.com/2010/05/farmers-forest-for-paper-pulp-mills.pdf>

<sup>5</sup> Growth slowed temporarily after 2013 in response to efforts by the government to increase the availability of wood raw material for its timber industry; Flynn, R. (2017), 'China's demand for imported wood fiber: The times they are a-changin'', RISI blog, December 2017, <https://insights.risiinfo.com/China--demand-for-imported-wood-fiber-december-2017/index.html>

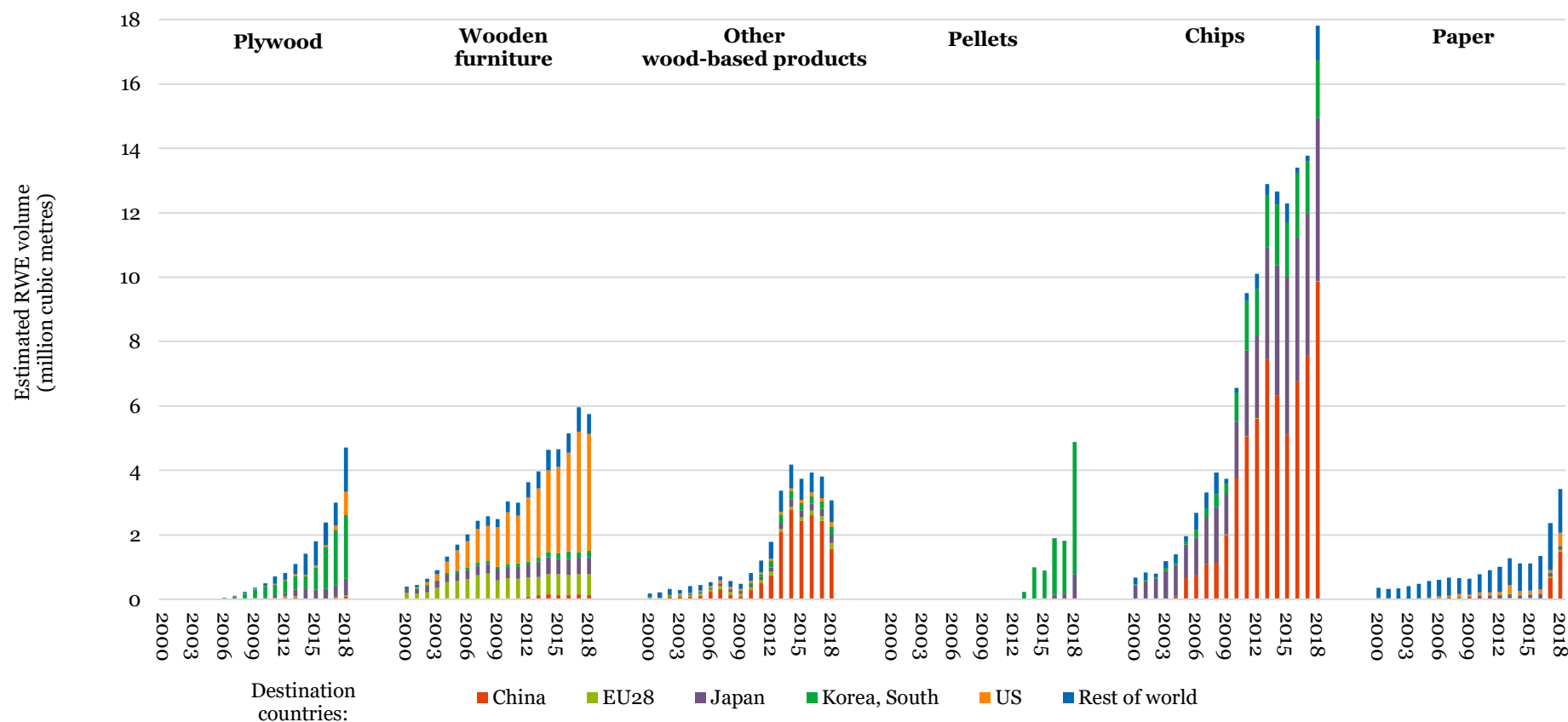


Figure 2: Exports of wood-based products from Vietnam<sup>6</sup>

Source: Based on destination countries' imports, UN Comtrade and reports of the Vietnam Timber and Forest Products Association (<https://goviet.org.vn/>).

<sup>6</sup> Standard conversion rates to estimate roundwood equivalent volume have been adopted for all countries, because of a lack of published data for many countries. The rates adopted are as follows, m<sup>3</sup> per m<sup>3</sup>: 1.8 sawnwood, 1.9 veneer and mouldings, and 2.3 plywood; and m<sup>3</sup> per tonne: 1.6 chips, 2.0 particleboard, 2.4 pellets, 2.5 fibreboard, 2.7 joinery, 2.7 veneer, 2.8 wooden furniture, 3.5 paper, 4.5 pulp.

## Methodology for estimating illegal logging and trade

The analysis considers five categories of illegal practices common across all countries. These categories are listed below, with examples given of the types of illegal activity that they can include in different countries and regions:

- Customary tenure & resource rights
  - FPIC not obtained from any affected people or communities
  - The rights of any affected people or communities not adequately taken into consideration and addressed in the process of allocating permits or developing management plans; and any loss of rights not adequately compensated
- Award of permits
  - EIAs not conducted in accordance with legal requirements
  - Decision-making process for the award of permits does not follow legally required process; e.g. calls for tenders not published; technical requirements for selection of bids not followed; evidence of corruption in the process
  - Use of proxies where the beneficiary would be ineligible
- Forest management & harvesting
  - Management plans not developed or implemented; e.g. plans do not meet legal requirements; logging in restricted areas; overharvesting of particular species; etc.
  - Health & safety and/or labour laws not complied with; e.g. no provision of safety equipment; employment of illegal immigrants; non-payment of salaries or of minimum legal wage
  - Environmental legislation not complied with; e.g. logging of protected areas or species; non-compliance with requirements for protection of wildlife; pollution of water courses
- Forest sector payments & financing
  - Relevant royalties, fees, taxes and fines not paid
  - Benefit-sharing agreements with local communities not complied with
  - Fraudulent financing / money laundering by concessionaires or in relation to mills
  - Transfer pricing
- Transport & trade
  - Export bans or quotas for certain species or products are breached or exceeded
  - False declarations made; e.g. misdeclarations of species, value, source
  - Non-compliance with CITES

Based on a review of the available data, the likelihood of each of the five categories of illegal practice was assessed for the main exported products of the main producer countries.<sup>7</sup> This was classified either as low (<10 per cent), low to medium (10–30 per cent), medium to substantial (30–60 per cent) or substantial (>60 per cent).

For the earlier years (2000, 2008 and 2013), the likelihood of illegality was determined based on Chatham House analyses in 2010 and 2015<sup>8</sup>, with updates where additional data have since become available. The assessment for 2018 builds on this analysis, using available data and information to assess changes in legal compliance in the last five years of the study period. This included recent Chatham House research into governance reforms, analysis of trade data and the results of perception surveys, as well as a review of reports and data from other organizations.

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

































<sup>7</sup> This analysis focuses on a limited number of products, these were selected according to three criteria: the scale of trade and rate of change in this, trade flows in which high proportions of illegal timber have been documented, and examples of particular types of illegality.

<sup>8</sup> Lawson, S. (2014), Methodology for Import-source Estimates of Illegally Sourced Wood Imports: Thailand, South Korea and India, Chatham House Report, London: Royal Institute of International Affairs, <https://chathamhouse.soutron.net/Portal/Default/en-GB/RecordView/Index/187057>; Hoare, A. (2014), Methodology for Estimating Levels of Illegal Timber- and Paper-sector Imports: Estimates for China, France, Japan, the Netherlands, the UK, the US and Vietnam, Chatham House Report, London: Royal Institute of International Affairs, <https://chathamhouse.soutron.net/Portal/Default/en-GB/RecordView/Index/187059>.

For those countries that are importers and consumers of tropical wood, the proportion of illegal imports was estimated based on the assessments for the main source countries of these products.

### Summary of estimates of illegal imports

The following table presents the proportion that is estimated to be illegal of the total RWE volume of Vietnam's imports, by product. The lower and upper bound estimates of each product were calculated from the sum of the lower and upper bound estimates for the volume of illegal exports of that product from the main supplier countries.<sup>9</sup>

	Lower Bound					Upper Bound			
	2000	2008	2013	2018		2000	2008	2013	2018
<b>Logs</b>									
<b>Sawnwood</b>									
<b>Plywood</b>									
<b>Panels</b>									
<b>Pulp</b>									
<b>Paper</b>									

#### Likelihood of illegality in the supply chain





-  Low (<10%)
-  Low to medium (10-30%)
-  Medium to substantial (30-60%)
-  Substantial (>60%)

Table 1: Estimated likelihood of illegality in Vietnam's main imported wood-based products

### Summary of estimates of illegal exports

This assessment draws on previous analysis by Chatham House.<sup>10</sup> Overall, the likelihood of illegality in exports is low, and has declined since 2000. The reduction in illegality reflects the increased

<sup>9</sup> For example, if total log imports are 1 mill.m<sup>3</sup>, 40 per cent of which are imported from country y, with low likelihood of illegality (0–10 per cent) and 60 per cent are imported from country x, with medium-substantial likelihood of illegality (30–60 per cent), the estimates for illegal imports are as follows:

- lower bound: 0.18 mill.m<sup>3</sup> (0 mill.m<sup>3</sup> (0 per cent x 0.4 mill.m<sup>3</sup>) + 0.18 mill.m<sup>3</sup> (30 per cent x 0.6 mill.m<sup>3</sup>)). This is 18 per cent of total imports for the product, & so the likelihood is categorized as low-medium.
- upper bound: 0.4 mill.m<sup>3</sup> (0.04 mill.m<sup>3</sup> (10 per cent x 0.4 mill.m<sup>3</sup>) + 0.36 mill.m<sup>3</sup> (60 per cent x 0.6 mill.m<sup>3</sup>)). This is 40 per cent of total imports for the product, and so the likelihood is categorized as medium-substantial.

<sup>10</sup> Hoare, A. (2014), *Methodology for Estimating Levels of Illegal Timber- and Paper-sector Imports Estimates*. <https://www.chathamhouse.org/sites/default/files/field/document/20141125IllegalLoggingMethodologyAppendixHoareUpdate.pdf>

availability of wood raw material deriving from plantations in Vietnam, including rubberwood, eucalyptus and acacia.

Several enterprises in Vietnam advertise some plywood products as having face veneer of tropical species or birch (probably from Russia). Most of the plywood from Vietnam that South Korea records as imports is classified as tropical, but judging by its import value per unit of volume, little of this is likely to derive from tropical timber.

In 2020, concerns were raised about possible evasion of duties for exports of plywood to the US.<sup>11</sup> Following an investigation by the US government, an agreement was reached between the two countries to work together to reduce the risk of illegal harvesting and trade in timber.<sup>12</sup>

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<sup>11</sup> Shalal, A. (2020), 'U.S. says plywood imports from Vietnam may circumvent duties on Chinese goods', Reuters, 10 June 2020, <https://www.reuters.com/article/us-usa-trade-vietnam-idUSKBN23H2YD>

<sup>12</sup> Office of the United States Trade Representative, 'USTR Announces Agreement Between the United States and Vietnam to Resolve Timber Section 301 Investigation', press release, 1 October 2021, <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2021/october/ustr-announces-agreement-between-united-states-and-vietnam-resolve-timber-section-301-investigation>

The following table presents an overview of the likelihood of illegal practices in the production of the country's main exported wood-based products. The 'overall likelihood' column reflects all the types of illegal practice and is thus the most pessimistic assessment of the categories for a given year.

	Tenure and resource rights				Award of permits				Forest management				Revenue and finance				Transport and Trade				Overall likelihood of illegality			
	2000	2008	2013	2018	2000	2008	2013	2018	2000	2008	2013	2018	2000	2008	2013	2018	2000	2008	2013	2018	2000	2008	2013	2018
<b>Sawnwood</b>																								
<b>Veneer</b>																								
<b>Plywood</b>																								
<b>Panels</b>																								
<b>Mouldings &amp; joinery</b>																								
<b>Furniture</b>																								
<b>Pellets</b>	-	-			-	-			-	-			-	-			-	-			-	-		
<b>Chips</b>																								
<b>Paper</b>																								

**Likelihood of illegality in the supply chain**

- Low (<10%)
- Low to medium (10-30%)
- Medium to substantial (30-60%)
- Substantial (>60%)
- Minimal trade

Table 2: Estimated likelihood of illegality for Vietnam's main exported wood-based products<sup>13</sup>

<sup>13</sup> Within the table the legend "minimal trade" specifies that there were minimal or no exports of pellets during the indicated years.