

# Village-Based Wood Products Manufacturing in Vietnam: Implications for FLEGT and REDD+ implementation

This article summarizes results of the Workshop on Wood Villages held in Vietnam in October 2012 by the Vietnam Timber and Forest Products Association (VIFORES) and Forest Trends.

## Workshop Summary

### Wood Villages in Vietnam

There are more than 300 villages in Vietnam, where a majority of households are involved in some aspect of the wood products manufacturing process. 50 percent of these “wood villages” are in the Red River Delta. The country’s wood villages consume about 350,000-400,000 m<sup>3</sup> round wood equivalent (RWE) per year -- mainly tropical timber from imported and domestic sources. Estimates indicate that about 300,000 laborers are working in this subsector, generating average annual revenue of US\$1.5 billion. Wood villagers provide 80% of furniture and construction materials for domestic markets.

Vietnam is now negotiating with EU on FLEGT VPA, and a Timber Legality Assurance System (TLAS) is now being prepared. A TLAS will define timber legality per national laws and regulations, develop a control system for timber supply chains, and develop an independent monitoring mechanism for compliance.

### October 2012 Workshop

The Vietnam Timber and Forest Products Association (VIFORES) and Forest Trends hosted a workshop, *Wood Villages: Moving Toward Sustainable Use of Timber to Contribute to Sustainable Forest Management*, in Hanoi on October 30, 2012. The workshop featured key findings derived from a joint study on wood villages and their implications for FLEGT and REDD+ undertaken by Forest Trends and VIFORES. The workshop was attended by more than 60 participants, including government agencies (e.g. Ministry of Agriculture and Rural Development, Ministry of Industry and Trade), professional associations (e.g. Handicraft Village Association), representatives from wood villages, the donor community and mass media.

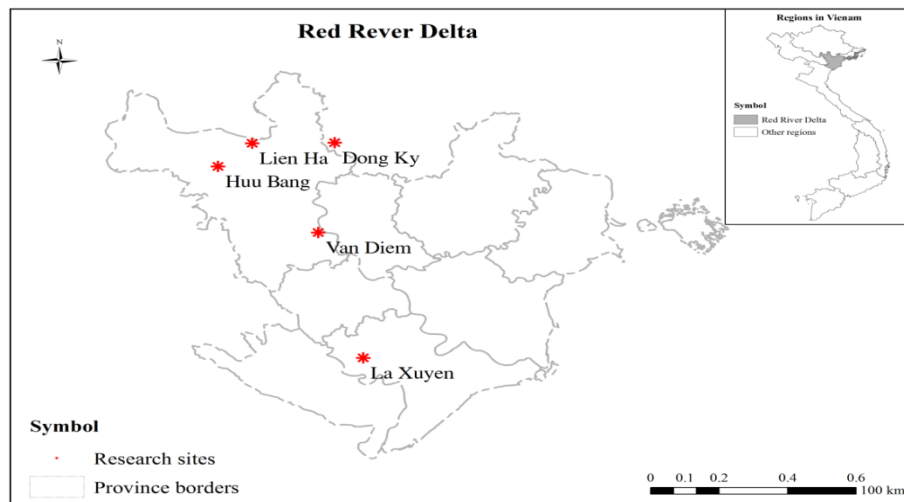
### Key Findings of the Joint Study by Forest Trends and VIFORES on Wood Villages and Implications for FLEGT and REDD+

Five wood villages in the Red River Delta (Figure 1) were selected for the study. The study examined the legality of the wood used in these villages, flows of timber, and compliance with existing labor, safety and environmental regulations and policies.



The five wood villages under the study (Dong Ky, Van Diem, Lien Ha, Huu Bang, and La Xuyen) have been established for many years. The popular production arrangement in these villages is household-based, accounting for 90-95% of production; the remaining 5-10% are companies and cooperatives. These villages produce timber products for domestic markets, mainly furniture, construction materials (e.g. stairs, door frames). Households in Dong Ky, Van Diem and La Xuyen use precious wood imported from neighboring countries to produce furniture for both domestic markets and export. Households in Lien Ha and Huu Bang mainly use domestic timber from Vietnam's own natural forests and plantations.

**Figure 1: Research Sites in Red River Delta**



When buying wood from timber traders, most of the households in the study were not concerned with the legality of the wood they bought. Usually, they did not ask for proof of origin or legality from their suppliers. The transactions among timber traders, producers and consumers in Vietnam often ignored paying required government taxes and fees in order to reduce costs. Operations were often not in compliance with government labor, worker safety and environmental regulations. Law enforcement is very weak, providing ample opportunity for non-compliance by traders, producers and consumers.

Vietnam has been negotiating a FLEGT VPA with the EU, which, if concluded, would call for the establishment of a TLAS which would ensure the legality of timber supply chains from raw materials to finished product. These requirements would also apply to products of the Vietnam's wood villages – which clearly need more outreach and assistance in understanding and implementing supply chain management, legality verification and basic compliance with national laws and regulations.

### Some important issues discussed during the workshop

- **FLEGT and wood villages:** Some participants in the workshop felt that since the wood villages do not export to EU markets, the FLEGT VPA or TLAS will not be applicable to them. Others argued that the establishment of a TLAS would have huge impacts on wood villages.
- **FLEGT and costs for implementation:** While combatting illegal logging and associated trade is a laudable objective, consumers in the country are not ready to pay more for legal products. Production costs would increase and it is not clear how wood villages could bear additional costs.

- **FLEGT as trade barrier:** Some participants saw FLEGT as a technical barrier established to protect European markets.

### Box 1. Comments from Workshop Participants

*“Previously, we only had data and information on the import and export of timber. Data on domestic markets was absent. This study is important and interesting as it has contributed to filling the gap.”*

*“Through the study, stakeholders understand more of the potential impacts of FLEGT and REDD+.”*

*“I greatly appreciate this workshop. I listened to the opinions of processors in wood villages regarding competitiveness. Their objectives are to maximize profit while following government policies and regulations. Therefore, I think that the enterprises, associations and government should discuss with each other to gain better understanding.”*



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### Recommendations by Participants

- The Forest Trends study only covered 5 out of more than 300 villages. Further studies should be designed and undertaken in order to generate more data to better understand this important subsector.
- As wood village production is primarily household-based and there are no formal representatives to speak on behalf of households, there is a need to determine how to include these actors in the process of FLEGT VPA negotiation in Vietnam
- Communication strategies should be established to provide wood villages with more information on FLEGT.
- Dialogue between the government and wood villages will be critical to ensure appropriate social impact assessment and mitigation measures for these villages which depend heavily on the wood products trade.