



ASSOCIATION SURVEYS FOR KNOWLEDGE (ASK)

Viet Nam



November 2018

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GLOBAL TIMBER FORUM'S ASSOCIATION SURVEY FOR KNOWLEDGE (ASK)

The Global Timber Forum's Association Survey for Knowledge (ASK) seeks to better understand the challenges faced by forest and wood-based industry and trade associations around the world. The responses from associations in Asia, Africa, Europe and South and North America will inform GTF's, and our project partners, knowledge about the skills and capabilities of associations and identify future support programmes particularly focused on priority countries.

The survey is focused on five themes:

Theme 1 Associations profile and capabilities

Theme 2 Priorities in delivering services to members

Theme 3 Challenges faced by the association membership

Theme 4 Analysis of domestic and regional markets

Theme 5 Analysis of international market and customer needs including legality and sustainability aspects

The survey was developed in collaboration with our project partners: FAO (Food and Agriculture Organisation of the United Nations) and WRI (World Resources Institute). The survey was made up of three complementary sections. Respondent associations were encouraged to complete all three sections.

The survey results are anonymised and non-attributable except at regional level. GTF will share relevant data with survey respondents and our partners to better assist the development and funding of trade-focused responsible timber trade programmes.



Viet Nam

The survey of trade associations in Indonesia was conducted in September and October 2018.

GTF wishes to thank the following associations for their time in contributing to this survey:



- **VIFORES** – Viet Nam Timber and Forest Product Association
- **BIFA** – Binh Duong Furniture Association
- **HAWA** – Handicraft and Wood Industry Association
- **FPA Binh Dinh** – Forest Products Association of Binh Dinh



Context

The timber processing industry in Viet Nam has changed dramatically in the last 20 years. Prior to 2000, the timber processing industry in Viet Nam had only a small number of enterprises with outdated technology and machinery, using timber from natural forest, mainly serving the domestic market producing preliminarily processed timber such as logs, sawn wood for export to a limited number of countries.

Today Viet Nam is one of the world's leading furniture exporters, only behind China in Asia. The number of timber processing enterprises has increased rapidly: 741 enterprises (2000), 1,710 enterprises (2005), 2,526 enterprises (2007), 3,098 enterprises (2009), 3,900 enterprises (2013) and over 4,200 enterprises in 2018.¹

The industry mainly uses imported timber for processing furniture and other wood products to export into more than 120 markets worldwide. The export value of timber and timber products in Viet Nam has grown rapidly over the past 20 years (see Chart 1).

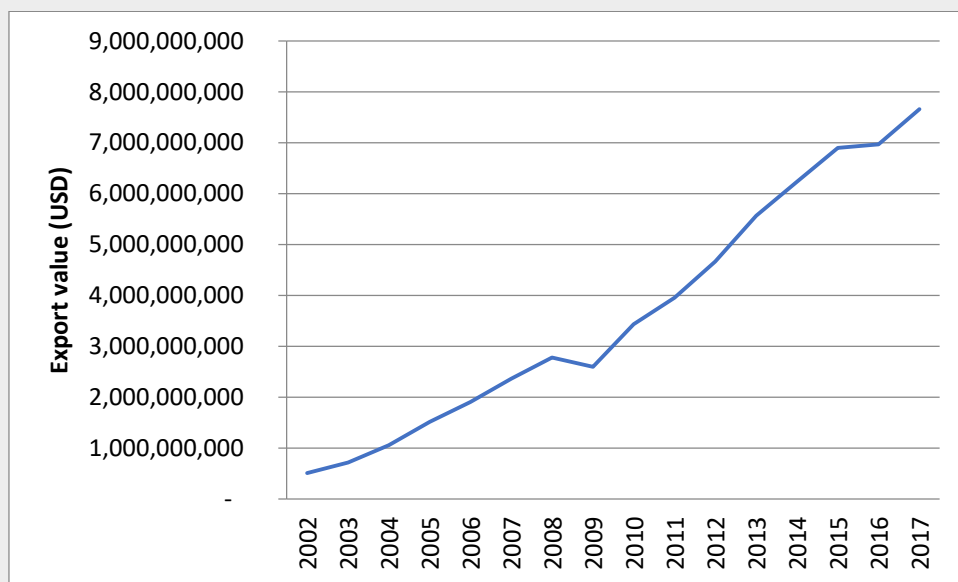


Chart 1: Total of export value of timber and timber products from Viet Nam in 2002-2017

Source: Vifores, Hawa, FPA Binh Dinh and Forest Trends, compiled from Viet Nam Customs statistics.

The dominant market for exports of manufactured wood products – particularly furniture – is the United States, followed by China, Japan, Korea and the United Kingdom.²

To provide timber inputs to the timber processing industry, Viet Nam continues to increase the import of timber (see Chart 2). The top five countries for imports of softwood and hardwood timber and other wood products are China, United States, Malaysia, Chile and Thailand². Increasingly timber imports are from sustainably managed forests with FSC or PEFC certification.

¹ Nguyen Thi Thu Trang and Nguyen Ton Quyen (2014) *Report wood processing industry activity code: nso-5 support business associations to prepare studies on development strategy for two selected industries*

² <http://vietfores.org/en/tin-tuc/export-import-timber-wood-furniture-first-six-months/>

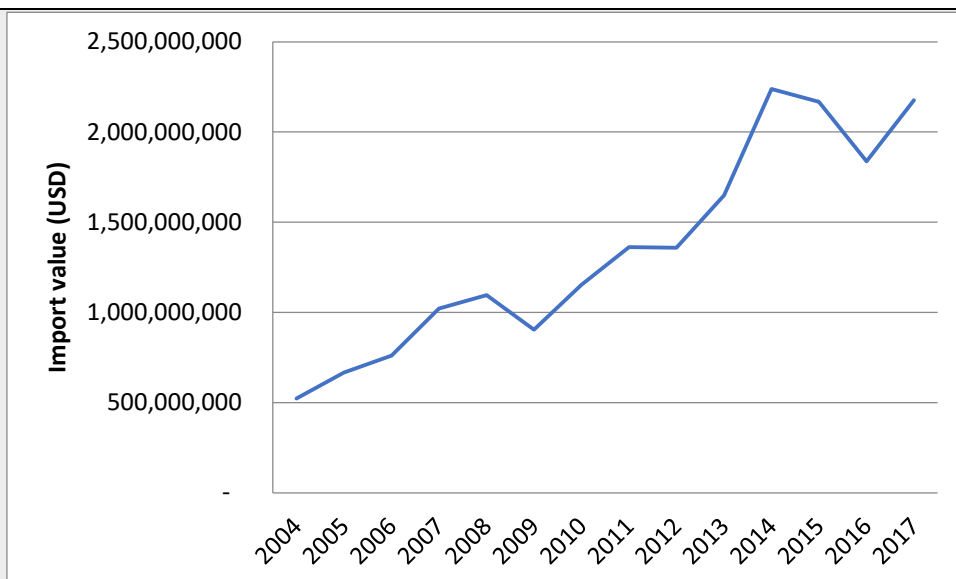


Chart 2: Total of import value of timber and timber products into Viet Nam in 2004-2017

Source: Vifores, Hawa, FPA Binh Dinh and Forest Trends, compiled from Viet Nam Customs statistics.

Along with the growth of timber processing enterprises, the associations are in turn established and increasingly developed to meet the requirements of the business community and adapt to the general development of the global market towards being modern, transparent and effective. The main tasks of the associations are to focus on trade promotion, policy consultation, training and technology transfer, business networking and supporting industries.

Voluntary Partnership Agreement (VPA) with the European Union

In October 2018 Viet Nam and the European Union signed a Voluntary Partnership Agreement (VPA). To implement the VPA, Viet Nam will have to develop robust and credible systems to ensure that its exports of timber and timber products come from legal sources, verifying that both domestic and imported timber have been legally harvested and traded in accordance with the relevant legislation in the country of harvest.

The VPA also envisages a functional system of checks and balances, such as complaints mechanisms and independent evaluations, as well as commitments to involve stakeholders in its implementation, and on disclosure of key forestry-related information. These key aspects of the VPA should ensure continuous improvement and strengthening of the Vietnamese timber legality assurance system.

The VPA commitments are already reflected in Viet Nam’s recently adopted Forestry Law, which enters into force in January 2019. The new law prohibits import to Viet Nam of illegally produced timber. The Vietnamese government is now preparing further implementing legislation, including provisions on due diligence for its importers and on adequate, proportionate and dissuasive sanctions as stipulated in the VPA.

Viet Nam has prepared an operational framework for implementing the VPA and has set up a multi-stakeholder body, with representatives from industry associations, Vietnamese NGOs and development partners, to actively participate in the process.



Summary of Results

The four trade associations interviewed mainly draw their membership from Vietnamese forestry and wood-based businesses. One of the associations (VIFORES) operates nationally and three are focused on a single province. The associations have a combined membership of over 3,220 companies - 74% of which are estimated to be small, medium or micro-sized (SME) businesses. Membership is diverse: 15% of business members identify solely as importers, 15% as secondary manufacturers and 48% identify as exporters but are also secondary manufacturers and importers of raw materials. Only 8% are primary manufacturers or involved in forestry (4% each).

Collectively the associations members exported US\$7.66 billion- of wood products per annum from Viet Nam to the global markets.

The most common services provided are public affairs and provision of trade data. The most common technical services offered are those relating to sustainability issues, legality issues, health and safety and community relations.

The associations **face a range of challenges** in providing services. The two areas most highlighted relate to promoting the sector to stakeholders and the challenge of working with a sector dominated by SMEs. Other challenges cited were fluctuating export regulations, market data, the VPA process with the European Union and slow responses from membership to communications from the associations.

The current **top priorities** for the associations in terms of services offered are dominated by the need for more capacity to provide technical advice to their members.

The priorities for the associations in terms of expanded services are varied. The two most frequently mentioned areas were legality training and marketing skills development. Numerous other needs were identified including: helping with providing access to raw materials, trade fairs and exhibitions, member meetings, advocacy for the sector, staff training and market data.

The main **challenges for members** of the associations centre around accessing raw materials and challenge of meeting market requirements for demonstrating due diligence. Government policy and market information were two other challenges identified by two associations.

For those associations who have members that export the demand and questions around this subject are frequent and clear. The most frequently mentioned markets with clear signals regarding legality are the European Union, USA and Australia. The association's members predominately trade in export markets with USA, European Union and Japan.

Demand from domestic markets for legal timber was also very high.

The demand and questions around sustainability are also frequent but less demanding than the calls regarding legality. The clearest market signals are noted to come from the European Union.



Part 1 - Association profile & capabilities

Geographical coverage

The four Vietnamese associations interviewed draw their membership from within their own country. Two of the associations operate nationally and two are focused on a single province.



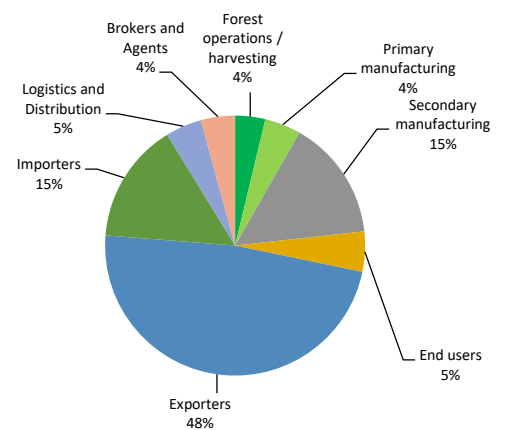
Membership & Services offered

Profile of membership

The four associations surveyed have a combined membership of over 3,220 companies.

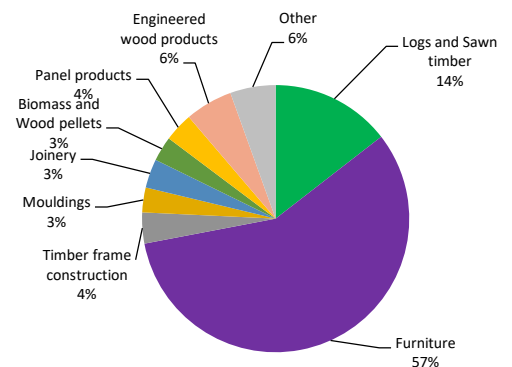
Sectors represented

The membership is very diverse though dominated by exporters. Importers and secondary manufacturers are also significant components.



Products traded

The diversity of sectors represented is reflected in the diversity of products traded. Furniture dominates followed by log and sawn wood production.



Volume traded by members

Only two of the associations were able to provide data as to the volume of wood traded. The total of these two associations' membership was nearly 32 million cubic metres of timber and timber products which are exported to global markets.

Value of products traded by members

All four of the associations were able to provide data as to the value of the wood products traded by their membership – collectively \$7.66 billion USD per annum.



Capacity - Number of staff

Staff numbers are consistent between the associations. The numbers of full-time equivalent positions across the sample is between 2 and 5. This includes senior management and administrators. If part time staff numbers are included the range is between 5 and 6 - 7.

Technical staff

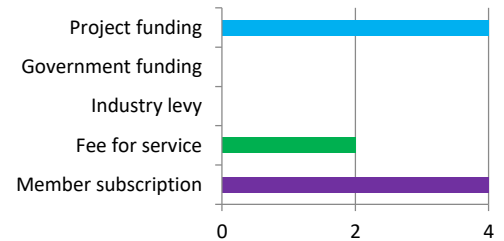
None of the associations have dedicated staff available to answer technical questions from the membership.

Overall budget

All of the associations were able to provide data regarding their annual operating budget. The average across the three provincial associations was \$113,500 per annum. The smallest budget was \$35,000 per annum, the largest \$300,000.

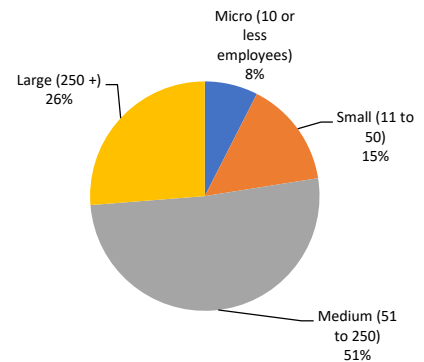
Funding

All of the associations interviewed are funded through membership subscriptions. All four also receive project funding from donors. Two of the associations charge additional fees for services.



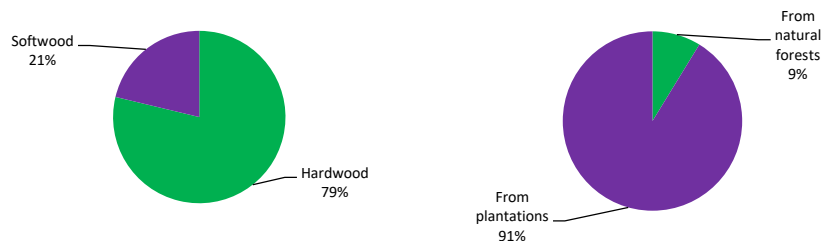
Size of member companies

The 3,200+ members of the associations are dominated by medium sized or smaller organisations. 26% of the membership is larger companies with more than 250 employees.



Raw material sourcing

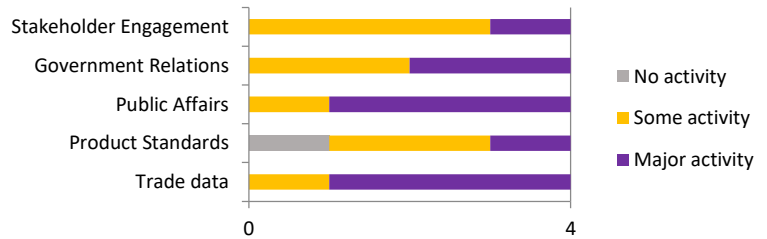
The association's members mainly source hardwood species from plantations.



Part 2 – Priorities and challenges in delivering services to members

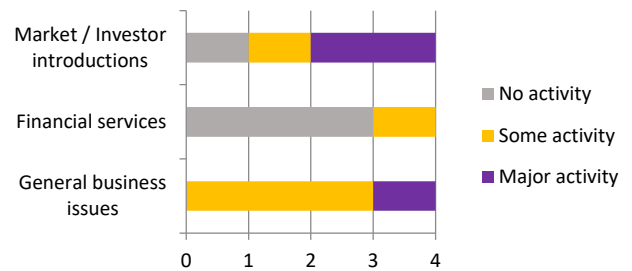
Services currently provided

Across the country the most common services provided are public affairs and provision of trade data.



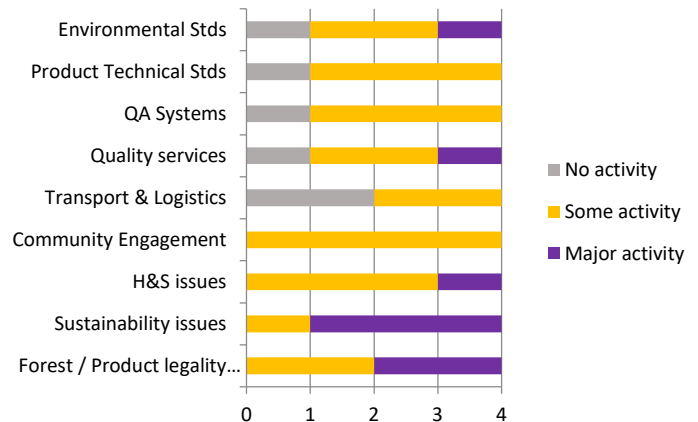
Business services provided

Support for general business issues features as an activity for all of the associations.



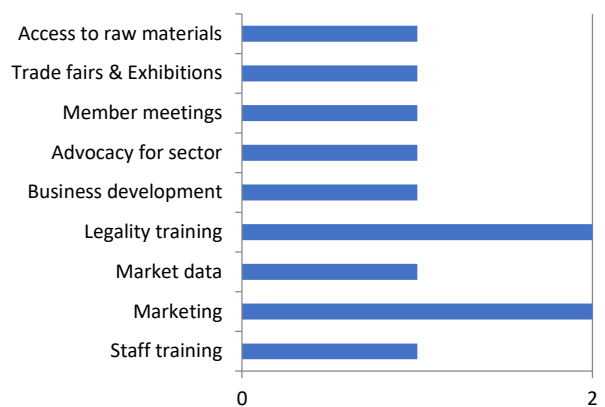
Technical services provided

The associations offer a wide range of technical services. The most common services offered are those relating to sustainability issues, legality issues, health and safety and community relations.



Priorities for service provision

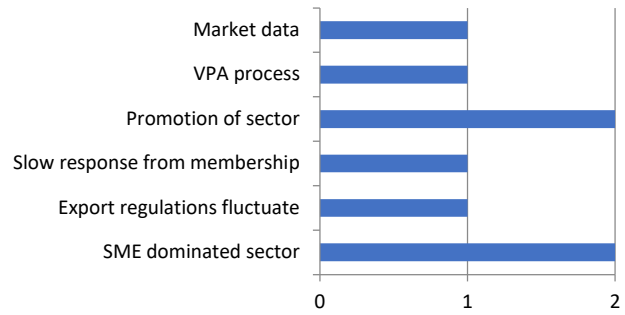
The current top priorities for the associations in terms of provision are varied. The two most frequently mentioned areas were legality training and marketing skills development.



Major challenges faced by the association

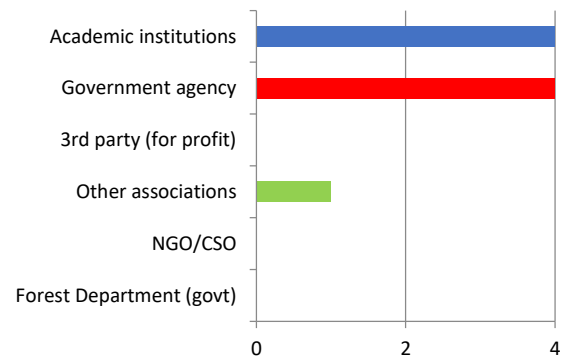
The associations face a range of challenges in providing services.

The two areas most highlighted relate to the challenge of promoting the sector to stakeholders and the challenge of working with a sector dominated by SMEs.



Technical support – external partners

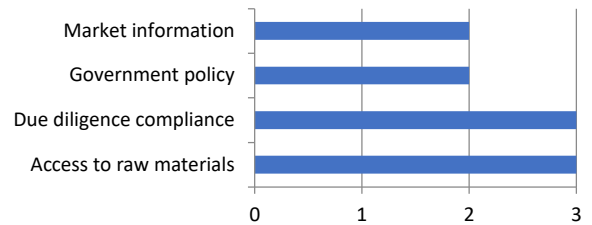
The associations have a limited range of external partners. All have academic institutions and government agencies as partners.



Part 3 – Challenges faced by membership (particularly SMEs)

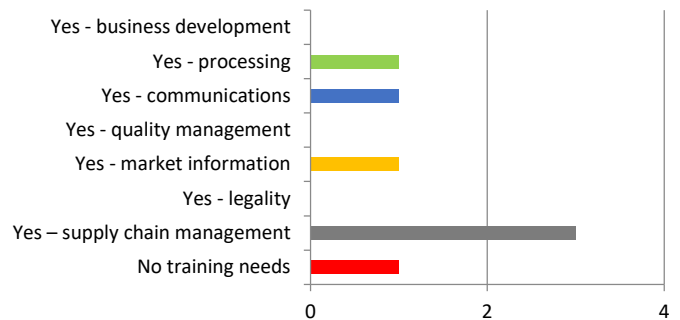
Top challenges for members

The main challenges for members of the associations centre around accessing raw materials and challenge of meeting market requirements for demonstrating due diligence.



Training needs

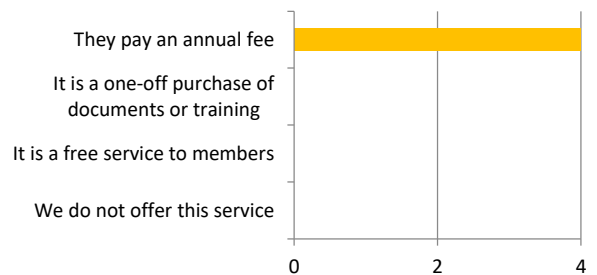
Training needs identified were dominated by supply chain management.



Training costs.

The associations were not able to isolate the costs of training,

Training services in all cases are provided as a part of the membership fee.



Main markets

No information was given as to specific current main markets.

NOTE: VIFORES provides main markets information data on their websites at www.vietfores.org/en

Target markets

No information was given as to specific target markets with the exception of high-end indoor furniture.

Exports – challenging issues

To increase exports or to enter the markets that are targeted the main issues identified are:

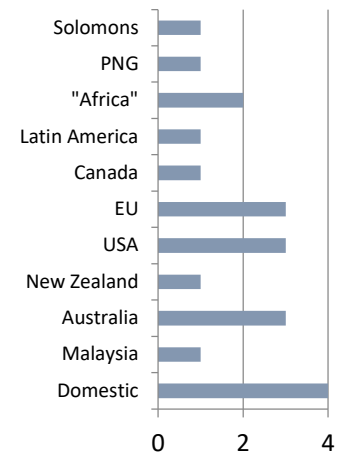
- Lack of market information.
- Shortage of skilled workers.



Part 4 – Analysis of domestic and regional markets

Sourcing

All of the associations surveyed stated that their members sourced from domestic forests but a number of import countries were also featured with Australia, USA, the European Union and “Africa” the most frequently mentioned.

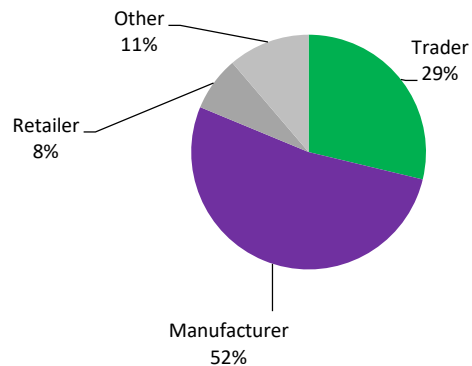


Exports – significance to members

Across the associations surveyed an average of 64% of their members were primarily involved in export. The lowest estimating 40%, the highest estimating 90% of all trade being exports.

Customer profile

The profile of the customers for the memberships varies widely. Across the association’s manufacturers represent the major market followed by traders.



Part 5 – Analysis of international market and customer needs including legality and sustainability aspects

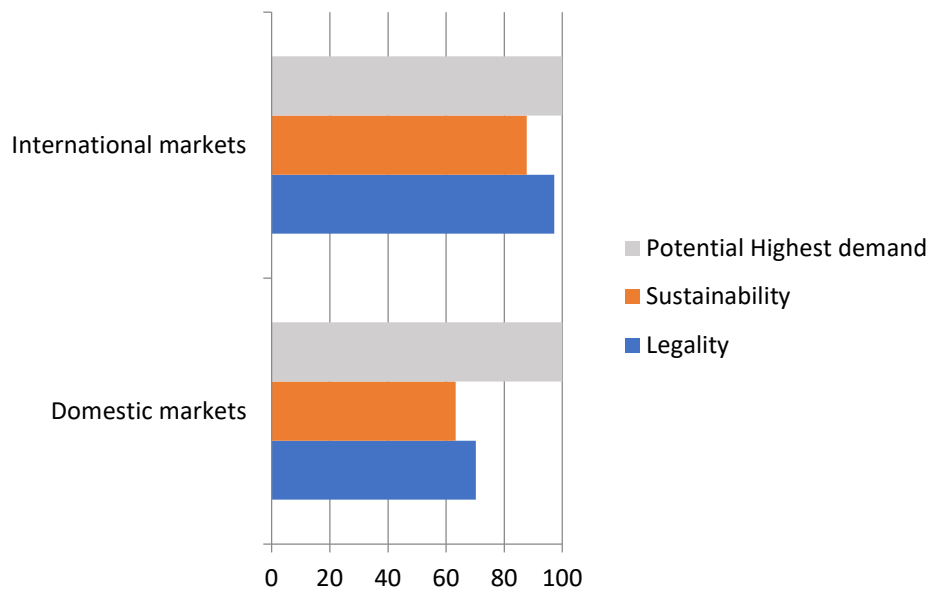
Legality – level of demand from international and domestic markets

For those associations who have members that export the demand and questions around this subject are frequent and clear.

The most frequently mentioned markets with clear signals regarding legality are the European Union, USA and Australia.

The level of demand from domestic markets for legal timber was estimated at quite a high level by the respondents.

Those that recorded any demand estimated the level at around three quarters of the level of demand from international markets (on a scale ranging from zero – no demand: to 100 – frequent demand).



Sustainability – level of demand from international and domestic markets

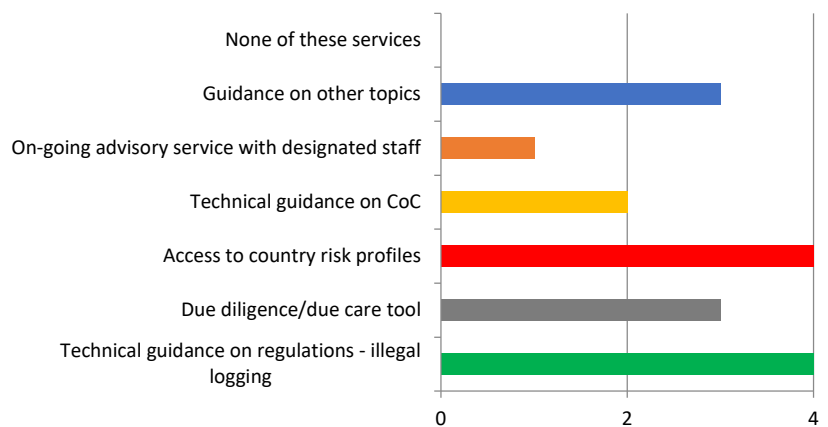
For those associations who have members that export the demand and questions around are frequent (but less demanding than the calls regarding legality). The clearest market signals are noted to come from the European Union.

Supply chain management support – availability

All of the associations directly provide support for supply chain management to their members.

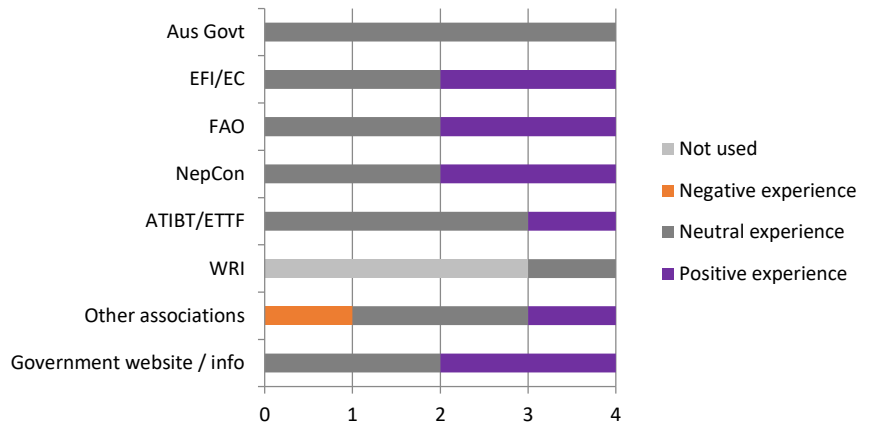
Supply chain management support – risk assessment provision

The associations surveyed provide a wide range of technical support to their members. Technical guidance on legal compliance and provision of country risk profiles are the main areas. Tolls to assist with due diligence are also frequently provided.



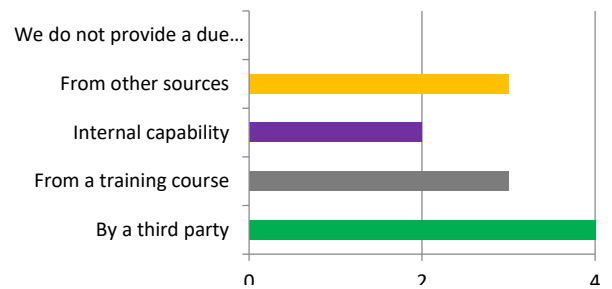
Supply chain management support – risk mitigation advice

The main sources of external information to provide guidance on risk mitigation were through domestic government sources. Other sources of information positively viewed include EFI, FAO - EU FLEGT Programme, NEPCon and other associations.



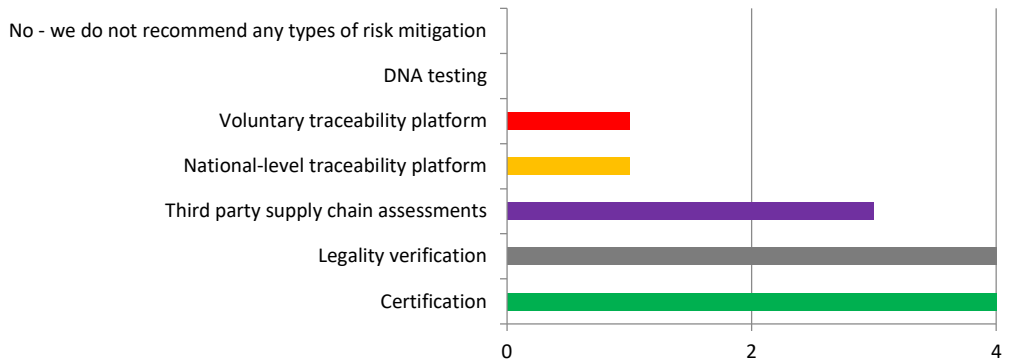
Types of risk mitigation – sources of information

All four of the associations recommend third parties to provide risk mitigation. For those associations offering their own advice they have gained their information from training courses.



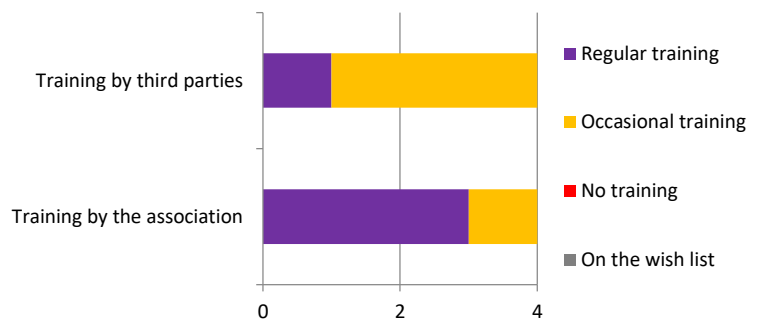
Risk mitigation – types recommended

Three types of risk mitigation are generally advised – third party assessments, legality verification and certification.



Supply chain management support – training offered

Most associations offer supply chain management training to their members. In the main they would prefer to offer the training themselves rather than using third parties.



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