



**VIETNAM TIMBER & FOREST PRODUCT ASSOCIATION
(VIFOREST)**

Add: 189 Thanh Nhan Street, Hai Ba Trung District, Hanoi
City
Tel: +84 – 2436320746
Mobile: +84 – 983477178
Website: vietfores.org.vn/ http://vietfores.org / en /
Email: info@vietfores.org.vn

Date: 10 November, 2020

To: **H.E. Robert E. Lighthizer**,
US Trade Representative
Fourteenth Street and Constitution Avenue, NW
Room 18022
Washington, DC 20230

Representative Docket Number : USTR-2020-
0036
Pages: 10

Subject: VIFOREST's Comment on the USTR initiation of 301 investigation on Vietnams' acts, policies and practices relating to import, use and trade of illegal timber

Excellency,

On behalf of Vietnam Timber and Forest Product Association (VIFOREST) I would like to present best complements to you and, in response to the subjected USTR Notice requesting submissions of written comments, I would like to provide comments on USTR initiation of Section 301 Investigation of Vietnams' acts, policies and trade of illegal timber.

First and foremost, I would like to stress that the timber business community of Vietnam has been strictly complying with the regulations on timber legality of Vietnam as well as of the countries where Vietnam imports timber from and countries Vietnam exports timber products to. At present, the US is one of our most important markets, in terms of timber material supply and timber products manufactured in Vietnam. Therefore, compliance with the requirements of the US Government on timber legality is vital to our timber industry. To my knowledge, the evidence provided by the USTR in its Notice is unclear, inconclusive, and it does not reflect enormous efforts of the Government of Vietnam to assure timber legality throughout the supply chain, including timber import and timber trade in local market. In addition, information used by the USTR does not provide an update on recent changes in the timber sector of Vietnam with a tremendous shift to the use of locally grown timber and timber imported from low-risk sources, including the US and the robust promotion of responsible timber industry in Vietnam. In my view point, the timber and timber product trade ties between Vietnam and the US have proved to be equal and mutually beneficial building on the strict compliance of timber businesses with the regulations and rules applicable in the two countries. Therefore, USTR subjective decisions, if any, on Vietnam's timber industry will have serious affects on timber businesses of both sides. Before going into detailed explanation, I would like to give a brief introduction on VIFOREST.

VIFOREST representing the community of Vietnamese timber businesses

Established in 2000, VIFOREST is the association of over 1,000 member enterprises which are doing business in forest and timber related fields, including afforestation, timber harvesting, processing, importing and exporting timber and non-timber forest products in Vietnam. The products manufactured and traded by these enterprises are very diverse covering indoor and outdoor furniture, wood-based panels, floorings, and wood pellets etc. Most of these products are exported with the rest is consumed in local market. Besides VIFOREST member businesses, there are local timber associations established in different regions of Vietnam.

Policy reform advocated by the Government of Vietnam to control the timber supply chain

Long before the initiation of 301 inquire, the Government of Vietnam has had a strong commitment and determination to protect natural forests of its own and of the countries supplying timber to Vietnam. This commitment and determination is firmly reflected by the fact that Vietnam is a serious member of CITES and ITTO. The Government of Vietnam also pro-active in promoting cooperation amongst ASEAN countries and in the Mekong sub-region to enhance transnational forest governance and sustainable forest management.

Effective control of the entire supply chain, including timber import, is one of the dominant commitments made by the Government of Vietnam. In this direction, in 2010 the Government of Vietnam started negotiations with the EU on the VPA/FLEGT. After 8 years of continued negotiations, the Agreement was signed on October 19, 2018 and came into effect on June 1, 2019 with strong commitments of the Government and the forest/timber business corporate towards timber legality assurance in both domestic market and export. To proceed to the reinforced implementation of VPA/FLEGT, the Government of Vietnam has issued Decree 102/2020/ ND-CP dated September 1, 2020 regulating the Vietnam Timber Legality System (VNTLAS). This system carries monitoring and control tools and mechanisms to ensure all operations of the timber supply chain, including timber import, are legal. According to the Decree, from October 30, 2020, timber imported into Vietnam will be controlled against geographical areas of risk and species of risk. With the timber imported from unreliable sources/high risk geographical areas, concerned authorities of Vietnam, such as Vietnam customs offices and forest administrative agencies are instructed to prepare the list of risky timber species/sources to be used for reinforced inspection and control applicable to each individual shipment. In addition, these authorities have been closely cooperating with VIFOREST and international organizations, such as EIA, Forest Trends and Earthsights to get access to warnings on species and sources with signs of risk being imported into Vietnam. These counter-measures are expected to avoid timber flows from risky sources. With these tightened control mechanisms, the possibility of illegal timber being imported into Vietnam is very low, if not any.

The Vietnamese timber community strongly supports sustainable timber sector development

The timber industry community of Vietnam has been strongly supporting the Government to tightly control the legality of timber across the entire supply chain, including the import of timber and export of timber products. VIFOREST was a pro-active member of the VPA/FLEGT negotiation team and accompanying the Government in all initiatives towards natural forest protection, biodiversity conservation and improved forest governance. In particular, on October 20, 2020, VIFOREST submitted a letter to the Prime Minister and relevant ministries, expressing its support for the Government to implement its commitments in the VPA as well as the provisions of Decree 102. VIFOREST has also recommended the Government to reinforce the control over timber coming from risky sources defined by Decree 102 with special attention to the flows of timber from certain tropical countries. Simultaneously, efforts are made by VIFOREST to promote domestic market in the direction of encouraging the use of domestically

grown timber, low-risk sourced timber, and certified timber, including timber shipped from the US. VIFOREST also solicits the Prime Minister to issue and implement the policy of public procurement towards sustainable use of timber products along with application of effective remedies to control FDI investment and radically avoid trade fraud/circumvention in the timber sector.

Being aware that the removal of illegal timber from the supply chain attributes not only to the responsibility of the Government, but also the entire timber business community, in 2017 VIFOREST and 3 member associations concluded the Statement to "say no to illegal timber". The content of this Statement has been widely communicated to member companies and positive results have been achieved (*see additional information in below section on imported timber and domestic market*). In support for the implementation of VPA/FLEGT and Decree 102, on 9 November, 2020, VIFOREST and 8 local associations have signed the Commitment to promote sustainable and responsible development of the Vietnamese wood industry sector. The content of this Commitment is similar to the package of recommendation and proposals VIFOREST has submitted to the Prime Minister, including a strong commitment to comply with Decree 102, support the Government to strengthen inspection and control over imported timber from risk sources, urge member enterprises to barrier risky timber from all timber products, encourage them to shift to planted, certified and legally imported timber. For your reference I am attaching the Commitment we have signed. In addition, we have also established the Fund **Green Vietnam** with funding from timber businesses to materialize our commitments towards sustainable forest management and responsible timber industry development.

In addition, a number of timber businesses are actively linking with plantation households to produce FSC certified plantation timber for exported timber product manufacturing. Over 20,000 farmers are expected to engage in this process.

Timber and timber product trade between Vietnam and the US

US is the most important market for Vietnam, both in terms of timber supply and timber products consumption. Of special attention is the fact that the US has emerged as the top timber supplier for Vietnam and Vietnamese market has become the second consumer of hardwood from the US (following China). Every year Vietnam imports about 1 million m3 of wood from the US, equivalent to 16 - 17% of the total import of Vietnam (4 - 4.5 million m3/year). Of great importance is the fact that the volume of timber imported from this source is steadily increasing (*Appendix 1 shows the amount of timber imported from the US into Vietnam, 2015 – September, 2020*). VIFOREST and AHEC have been maintaining close and effective cooperation to promote the use of US hardwoods in Vietnam.

I want to highlight that US is the most important market for timber products manufactured in Vietnam with the export turnover accounting for about 50% of the total export. The timber businesses engaged in timber trade between Vietnam and US is deeply aware that compliance with US regulations and rules, including those of Lacey Act, on importing timber products into US market, becomes "to be or not to be" for the entire timber sector. Therefore, Vietnamese businesses do not spare any single effort to ensure due diligence and accountability for legality of timber products destined to US.

The timber as raw material used to produce downstream products for export to the US is mostly acacia and rubber harvested from local plantations (sharing up to 60% of raw material used for timber products exported to US). Analysis conducted by Forest Trends and Vietnamese timber associations show that rubber, acacia timber products and wood-based panel made of these two species have highest export value in US market.

Wood species	Export value 2018 (million USD)	Export value 2019 (million USD)	Export value 9 first months of 2020 (million USD)
Rubber	855.2	963.1	795.8
Acacia	367.4	469 , 4	479.6
Wood-based panels	277.3	819.2	580.8

The remainder of about 40% of timber product value derived from US market is made of timber imported from countries with good forest governance, including the EU, New Zealand, Canada, and, moreover, the US. Major imported timber species used for manufacturing timber products for export to the US are as below:

Timber species used in the product	Export value 2018 (million USD)	Export value 2019 (million USD)	Export value 9 months of 2020 (million USD)
Pine	552.1	889.6	838.5
Poplar	154.8	277.4	256.7
Oak	90.3	141.3	154.5

VIFOREST, hereby, wants to reconfirm that Vietnamese timber manufacturers do not use illegally sourced timber, including tropical timber imported from risk sources, to produce timber products for export to the US.

Timber consumption in Vietnam

Annually, the volume of timber used to produce timber products for local consumption is estimated at 5 - 6 million m³. The local timber demand is met with 2 main sources: locally produced and imported timber. Due to the ban promulgated by the Government of Vietnam to stop natural forest logging, the local supply of timber solely relies on plantations (mainly acacia and rubber) and scattered trees. The planted timber comes from household-based plantations established by farmers on their own land and, therefore, is free of any legality challenge. As the area of household-based plantation forest and rubber farms available for cutting are steadily increasing, the local supply is continuously adding.

With the imported timber, annually Vietnam imports about 1.5 million m³, including about 1.0 million m³ from Africa. In addition, the local market also uses a relatively large proportion of timber imported from countries with good forest governance, especially that come from the US.

Micro-businesses operated in various timber villages play a key role in meeting timber products demand of the local market. This is also the place where imported tropical timber is used predominantly. In the recent years, the traditional timber villages have been experiencing a radical transition from imported tropical hardwood to locally planted timber and timber imported from non-risk sources, including EU and USA. This trend will steadily continue due to (i) the imported tropical timber is much more expensive than locally planted timber and timber imported from countries with good forest governance); (ii) The preference of Vietnamese consumers is changing (products made of tropical hardwood are no longer suitable for majority of customers, especially of young generation); (iii) Under the Government Decree 102, timber, entering Vietnam from non-active areas and being included in the list of risk species, will have to pass a very strict control; (iv) VIFOREST has solicited the Prime Minister and line ministries to apply policy tools to eliminate all illegally sourced timber from the supply chain.

In sections below I would like to provide further comments on specific aspects covered by the USTR initiation of 301 investigation.

Timber imported from Cambodia into Vietnam

In recent years, the import from Cambodia has been sharply decreased. Up to now, the import from Cambodia has dropped down to 90,000 m3 per year, including large volume of rubber timber and accounting for 1-2% of the total import.

Despite the ban on the export of log and sawn timber, the Cambodian government allows certain local businesses to export timber (accompanied with special permits). However, with attention given to the information circulated by certain international environmental organizations warning the risk of timber sourced from Cambodia, the Government of Vietnam has been closely cooperating with the Government of Cambodia to clarify customs clearance and tighten the control of the timber flow. In addition, from November 15, 2018, the Vietnamese Government has been suspending the temporary import and re-export of timber harvested from Cambodian natural forests, including timber species listed by CITES. The implementation of this policy tools has led to the drastic decline of the import from this source.

To assure radical prevention of legality risk associated with this source, on October 20, 2020, VIFOREST has proposed the Prime Minister of Vietnam to suspend the import of timber from Cambodia until the two sides can have effective countermeasures to avoid all risks related to timber trade between the two countries.

Import of timber from Cameroon and the Democratic Republic of Congo (DRC)

In average, Vietnam annually imports about 600 - 700,000 m3 of timber from Cameroon and about 50,000 - 60,000 m3 from DRC. Vietnamese businesses do not have direct access to the forest where the timber is harvested. Instead, they buy timber from local companies and companies from Europe and China who obtained logging licenses granted by local governments. Of this, certain species may have sustainable forest management certificates. The buying and selling transactions between Vietnamese businesses and European/Chinese timber dealers are merely commercial. Vietnamese importers comply with the legal regulations of the exporting country, including taxes, fees etc.

In the coming years, similar to the import from Cambodia, the import of tropical hardwood from Cameroon and DRC will ultimately decline. In addition, since 2018, the forestry and customs authorities of Vietnam have been liaising with relevant authorities of Cameroon to improve transparency and control of the timber supply chain. In addition, in the letter to the Prime Minister of Vietnam dated October 20, 2020, VIFOREST has requested the Prime Minister to urge law enforcement agencies to strengthen inspection and control over imported timber from these sources.

With above submission of information and comments, I would like to clarify certain issues raised in the USTR Notice. The timber business community of Vietnam reiterates that it does not tend to use illegal timber for production of timber products for both local consumption and export markets. With the US being one of the most important markets for the Vietnamese timber industry, compliance with US legal requirements is extremely vital for our businesses. I find that the evidence and data presented by the USTR is inconclusive and groundless. The USTR has also ignored the tireless efforts of the Vietnamese Government and the Vietnamese timber business community over the recent years. I sincerely ask the USTR to provide precise information while accusing Vietnam's timber industry as if it imports, uses and trades illegal timber, including that for export to US. Based on the information provided further by USTR, I will provide more detailed comments and feedbacks.

I also solicit opportunities provided by USTR for virtual commenting, via online. VIFOREST and its affiliated associations will provide direct, transparent, and comprehensive information and responses on USTR inquiries.

Once again, on behalf of the Vietnamese timber business community, I want to draw your attention to the information provided above and my proposal on direct commenting/hearing. I believe that the information I have provided and will provide, if required, will help USTR take fair and reasonable decisions which could reflect the truth, avoid adverse effects on trade ties between the two countries and facilitate Vietnam importing timber from US and exporting timber to US market.

I would like to extend my best compliments to Excellency and look forward to receiving your support to promote mutually beneficial timber trade between Vietnam and the US and, therefore, contribute to the prosperous development of our two nations.

I am looking forwards to receiving your response.



Do Xuan Lap,
President, VIFOREST

Annex 1. Vietnam importing timber from the US

Source	Log (m3)						Lumber (m3)					
	2015	2016	2017	2018	2019	9/2020	2015	2016	2017	2018	2019	9/2020
US	63.849	75.925	124.851	198.371	245.794	179.061	473.851	460.376	496.630	541.510	562.546	410.738

Source: Data provided by General Department of Customs, Vietnam and analyzed by VIFOREST, HAWA, FPA Bình Định, BIFA & Forest Trend

Annex 2: Commitment on Sustainable and Responsible Development of Vietnam's Wood Industry



COMMITMENT ON SUSTAINABLE AND RESPONSIBLE DEVELOPMENT OF VIETNAM'S WOOD INDUSTRY

For strictly complying with the laws of Vietnam, the laws of the countries exporting wood to Vietnam and the laws of the countries importing wood products from Vietnam;

For strictly implementing the international commitments that the Government of Vietnam has signed relating to the rules on sustainable development, green growth, climate change mitigation, environ protection, biodiversity conservation, including the Convention on International Trade in Endangered Species (CITES) and the Voluntary Partnership Agreement on Forest Law Enforcement, Governance and Trade (VPA/FLEGT);

For strengthening social and environmental accountability in wood business operation;

For mitigating and avoiding causes leading to deforestation and forest degradation and reducing emission.

Today, on November 11, 2020, we are the authorized representatives of:

1. *Vietnam Timber and Forest Product Association (VIFOREST)*
2. *Binh Duong Furniture Association (BIFA)*
3. *Handicraft and Wood Industry Association of Dong Nai (DOWA)*
4. *Forest Products Association of Binh Dinh (FPA Binh Dinh)*
5. *Handicraft and Wood Industry Association of Ho Chi Minh City (HAWA)*
6. *Thanh Hoa Timber and Forest Product Association (THVIFORES)*
7. *Vietnam Plywood Association*
8. *Vietnam Wood Chips Association*

Agreeing to make a joint commitment to promoting the sustainable and responsible development of Vietnam's wood industry. In particular, our member enterprises jointly commit:

1. To strictly comply with Decree No. 102/2020/ND-CP Decree (VNTLAS Decree) dated September 1, 2020 of the Government on Viet Nam Timber Legality Assurance System (VNTLAS) to assure all activities relating to importing, exporting, harvesting, transporting, buying, selling and processing of wood products are legally implemented.
2. To support the Government of Vietnam in enhancing inspection and supervision of imported wood, especially tropical wood imported from risky/non-active geographic areas set out in the VNTLAS Decree.

3. To request all members of the associations to strictly comply with VNTLAS Decree; absolutely not to use risky wood for manufacturing wood products to meet demands from local and overseas markets.
4. To call on the corporate community to promote the use of locally planted wood and wood imported from low risk sources; priority is given to wood harvested in certified forest.
5. To promote the development of the domestic market in the direction of using legally sourced wood, enhance wood traceability, transition from risk imported wood to locally planted wood as well as that of wood products made of locally planted wood and low risk imported wood.
6. To request the Government of Viet Nam to issue a public procurement policy towards completely eliminating risky wood species from public procurement, giving priority to products made of plantation wood.
7. To closely collaborate with related authorities to detect, prevent and avoid commercial fraud and investment circumvention in wood industry sector, solicit transparent and responsible trade and investment operations to generate higher value for the wood sector.
8. To call on the business community and relevant stakeholders to join hands in building a sustainable forestry, enhancing the protection of natural forests, conserving biodiversity, and encouraging the expansion of certified forest, and supporting the development of improved livelihood for forest reliant communities.

To proceed with the implementation of this Commitment, each association will develop a road-mapped Action Plan and allocate sufficient resources for its effective implementation. These Action plans include the following components (1) Collaborate with State's authorities to propose, counter-audit and implement related mechanisms and policies effectively; (2) Advocate for, train, and provide information for member businesses, encourage business association, including link with tree growers and micro-business households from wood villages; (3) Coordinate with media and relevant stakeholders for long-term communication campaigns aimed at improving images of the wood industry in production, trade, markets and products development, contribute to promote the development of a responsible and legal Vietnamese timber industry and a sustainable forestry sector.

On behalf of the Vietnamese wood business community, we, the leaders of below-mentioned associations, reconfirm our commitment to the full implementation of this Commitment and solemnly re-declare WE SAY NO TO ILLEGAL TIMBER.

We, agree to sign:

VIFORES

Do Xuan Lap

Chairman

HAWA

BIFA

DOWA

FPA BINH DINH

**Nguyen Quoc Khanh
Chairman**

**Dien Quang Hiep
Chairman**

**Le Xuan Quan
Chairman**

**Le Minh Thien
Chairman**

THVIFORES

Vietnam Plywood Association

**Vietnam Wood Chips
Association**

**Pham Van Thanh
Chairman**

**Nguyen Van Chien
Chairman**

**Thang Van Hoa
Chairman**