# Identifying high-risk timber exports from Viet Nam to Japan

*An ITTO-backed study has explored how to identify high-risk species in timber products exported from Viet Nam to Japan, including those using timber originating in other countries*

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**Clear sourcing required:** Imported poles in Ninh Binh Province, Viet Nam. *Photo: T. Fujisaki/IGES*

Viet Nam has emerged as a globally important supplier of processed timber products, positioned as second in Asia and fifth in the world in export value (MARD 2021). Timber products from Viet Nam are exported to over 140 countries and territories, with the United States of America being the largest market, accounting for over 60% of the resulting export revenue, followed by Japan (10.6%), China (10.1%), the Republic of Korea (6.8%) and the European Union (4.5%) (To et al. 2021).

While domestic plantations are a major source of timber in Viet Nam, the country also relies on imported raw materials to sustain its timber industry. Annually, Viet Nam imports 5–6 million m³ of logs and sawnwood of which 30–40% are tropical species, and 60–70% temperate species (Cao et al. 2021).

However, there has been less transparency on which imported species are used in Viet Nam's wood industry and where the sector's products are consumed. High-value tropical hardwood species are a lucrative target for illegal logging, and some Japanese importers are concerned that Vietnamese products may involve risk species imported from other countries. Despite the recent push by the Vietnamese government to establish legal frameworks to exclude illegal timber from all supply chains, the absence of comprehensive information and data could hinder efforts to promote the trade of legally harvested timber and timber products.

In this context, a study was conducted under an ITTO project[3] to generate an overview of timber products exported from Viet Nam to Japan and identify high-risk imported species in timber products. This article shares key findings and insights from the study.

The study considered products to be high-risk when Vietnamese exporters had used imported timber classified as a high-risk shipment under Decree No.102/2020/ND-CP on Viet Nam Timber Legality Assurance System (hereafter Decree 102), which was issued in September 2020. It drew on both quantitative and qualitative data. Quantitative data was obtained from timber trade statistics provided by Viet Nam's General Department of Customs. The level of risk was identified based on detailed examination of the data concerning timber products exported from Viet Nam to Japan between January 2018 and June 2021, combined with insights derived from in-depth interviews with representatives of Viet Nam's Ministry of Agriculture and Rural Development (MARD), relevant industry groups, and timber traders and processors in Viet Nam.

## Risk criteria

Decree 102 stipulates that the control of timber imports be undertaken based on the country of origin and the tree species involved. Article 5 of the decree details the criteria for geographical risk identification, and Article 6 focuses on the criteria for species risk identification (Box 1).

MARD has published the list of the positive geographies and the list of imported species on the website of the Forest Protection Department.[4] Imports from countries that are not on the list of the positive geographies or of timber species not on the species list are considered high-risk shipments. In general, under Decree 102, almost all tropical timber imports into Viet Nam are regarded as high-risk, as they are from countries not listed in the positive geographical area list.

[3] ITTO Project PP-A/56-342B "Analysis of Timber Legality Assurance Systems and Good Practices in China and Viet Nam for Sustainable Timber Trade"

[4] http://www.kiemlam.org.vn/ (Vietnamese language)

**High-risk traces?** Even pellets, for which this plantation wood in Viet Nam's Nghệ An Province has been harvested, could contain traces of high-risk species.
*Photo: T. Fujisaki/IGES*

**Box 1: Risk criteria for timber shipments as stipulated by Viet Nam's Decree 102**

A source country is considered low-risk if it meets one of the following criteria:

- It has a timber legality assurance and Forest Law Enforcement, Governance and Trade licensing system in place.
- It has a national regulatory framework for due diligence covering entire supply chains that is recognized by the Viet Nam Timber Legality Assurance System.
- The Governance Effectiveness Index of the country is 0 or higher (using the World Bank's most recent Global Governance Index), and the regulatory framework for the country's implementation of the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) is ranked and announced as Level I by the CITES Secretariat, and one of the two following conditions are also met: (i) the country has a bilateral agreement with Viet Nam on timber, or (ii) the country has a national timber certification system recognized by Viet Nam.

A source country that does not meet one of the three criteria above is considered a "non-positive geographical area", indicating high risk. A source country meeting at least one of the criteria is considered a "positive geographical area", or of low risk. Notably, a source country refers to the country of export and does not necessarily represent the country of harvest.

An imported species is considered high-risk if it is:

- listed in the CITES Appendixes;
- listed as a critically endangered or rare species in Category IA and Category IIA according to Viet Nam's regulations;
- is being imported into Viet Nam for the first time; or
- is illegally traded or threatened with extinction in the country of harvest as identified by Vietnamese authorities.

Imported species with none of these characteristics are identified as low-risk.

## Results and findings

Figure 1 shows the value of timber products exported from Viet Nam to Japan between January 2018 and June 2021 that contained high-risk species, based on the risk criteria laid down in Decree 102.

Overall, during the period covered by the study, timber products exported from Viet Nam to Japan containing imported high-risk species were small in value (Table 1). Among the high-risk species involved, *Khaya senegalensis* (trade name: faux acajen), *Dipterocarpus* spp. (keruing), *Pterocarpus* spp. (padauk) and *Entandrophragma* spp. (sapelli) were the most common, accounting for more than 70% of high-risk shipments by value over the period. These species were imported from Cambodia, the Lao People's Democratic Republic, and African countries.

The use of imported high-risk species varied among the major product groups. In value terms, joinery shows the highest percentage of risk species used, at a rate between 1% and 3.6%. High-risk species were also found in products that use wood-based panels as key materials (e.g. office, kitchen and bedroom furniture). However, the likelihood of high-risk species being used in these products was very low.

High-risk species were not found in wood chips, pellets or plywood. However, some proportion of pellets may be produced from the residues of high-risk species, depending on their sources. Some plywood products may use tropical hardwoods such as *Aucoumea klaineana* (okoumé), *Calophyllum* spp. (bintangor) and MLH (mixed light hardwood). However, any high-risk species are likely used in small amounts, and exporters may not declare them. Also, if a product is made from several species (e.g. a chair is made from 4–5 species), not all species are necessarily declared.

**Table 1: Presence of high-risk tree species by major product type in exports from Viet Nam to Japan, January 2018–June 2021**

| Customs code (product) | Overview of export trade (values approximate) | High-risk species identified |
|---|---|---|
| HS 440122 (Wood chips) | Annual export value USD 400–500 million. Acacia commonly used, also eucalyptus and pine. | None |
| HS 440131 (Wood pellets) | Annual export value USD 160 million. Acacia commonly used, also rubber, eucalyptus and pine. | None |
| HS 4412 (Plywood) | Annual export value USD 40–50 million. Acacia commonly used, also eucalyptus and styrax. | None |
| HS 4418 (Joinery) | Annual export value USD 50 million. 40 species used; rubber, oak, ash and pine most prominent. | Five, keruing and padauk most common, accounting for 1–3.6% of export value. |
| HS 9401 (Seats) | Annual export value USD 120 million. Rubber, acacia, eucalyptus and oak (imported) commonly used. | Five, faux acajen most common, accounting for 0.4–0.9% of export value. |
| HS 94033 (Office furniture) | Annual export value USD 80 million. Rubber, oak (imported), ash and pine commonly used. | Three, sapelli most common, accounting for only 0.002–0.050% of export value. |
| HS 94034 (Kitchen furniture) | Annual export value USD 60 million. Rubber, acacia and pine commonly used. | One, accounting for negligible share of export value; none since 2019. |
| HS 94035 (Bedroom furniture) | Annual export value USD 110 million. Rubber, MDF and pine most commonly used. | One, rosewood, in 2018, accounting for negligible share of export value. |
| HS 94036 (Other wood furniture products) | Annual export value USD 110 million. Rubber, acacia, pine, walnut and oak commonly used. | Five, accounting for 0.26–0.35% of export value. |

Source: To et al. (2022)

**Figure 1: Value of timber products containing high-risk species exported to Japan, January 2018–June 2021**
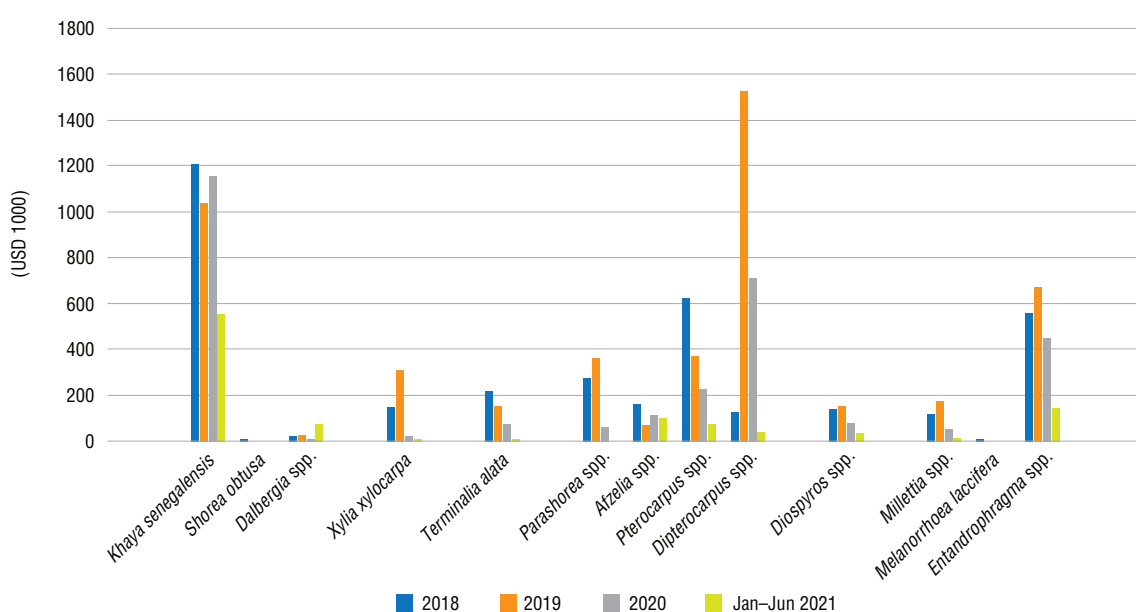


Source: To et al. (2022)

## Lessons from the study

Although timber exports from Viet Nam may vary in volume and product type depending on the destination country, and may also differ in terms of the timber species used in the products, the findings of this study focused on exports of timber products from Viet Nam to Japan seem broadly applicable to other countries.

It is important that competent authorities of countries importing timber products from Viet Nam are familiar with the high-risk species identified under Decree 102 and request importers to clearly declare both species and country of harvest, which would ensure compliance with regulations such as the Japanese Clean Wood Act, and the EU Timber Regulation. If the species in products from Viet Nam are high-risk according to Decree 102, authorities need to ask importers to exercise due diligence to mitigate the risk.

The findings of the study are also applicable to the overall timber trade. As Figure 1 and Table 1 show, customs data can help identify species contained in traded timber products, providing a valuable basis for authorities in importing countries to carry out risk-based management.

Also, identifying risks could help importers mitigate risks associated with their shipments. On the other hand, it is important to recognize the limitations of customs data, which are derived from the declarations of traders. The study indicates that there are cases where traders did not declare the species used in their timber products; for example, traders might only declare the major species in a product and omit minor species.

The risk criteria laid out in Viet Nam's Decree 102 can be easily applied. However, different countries use different criteria for risk assessment and may have different views on geographical and species risks. The authorities of exporting and importing countries should communicate with each other to better understand the legal frameworks and legality criteria of their trading partners. Authorities should inform their importers/exporters of any differences in risk criteria between countries so that adequate due diligence can be conducted.

More details of the project can be found at: www.itto.int/news/2023/04/05/new_analysis_of_ timber_legality_assurance_systems_and_good_ practices_in_china_and_viet_nam_released/

Project outputs can be found by inserting the project code PP-A/56-342B into the ITTO project search function at www.itto.int/project_search.

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