

# BORDERLINES

Vietnam's Booming Furniture  
Industry and Timber Smuggling  
in the Mekong Region



## ACKNOWLEDGEMENTS

This document was produced with the financial assistance of the European Union. The contents are the sole responsibility of EIA/Telapak and can under no circumstances be regarded as reflecting the position of the European Union.

EIA/Telapak would like to thank the Sigrid Rausing Trust for its support of our work.

This report was written and edited by the Environmental Investigation Agency and Telapak. Picture research carried out by Ingvild Holm.

Designed by:  
www.design-solutions.me.uk Tel: 07789 041173

Many thanks to Emmerson Press for the printing of this report. (Emmerson Press: +44 (0) 1926 854400)

Printed on recycled paper

March 2008

ISBN: 0-9540768-6-9



### ENVIRONMENTAL INVESTIGATION AGENCY (EIA)

62/63 Upper Street, London N1 0NY, UK  
Tel: +44 (0) 20 7354 7960  
Fax: +44 (0) 20 7354 7961  
email: [ukinfo@eia-international.org](mailto:ukinfo@eia-international.org)

[www.eia-international.org](http://www.eia-international.org)



### TELAPAK

Jalan Pajajaran No. 54, Bogor, Indonesia  
Tel: +62 251 393 245 / 715 9909  
Fax: +62 251 393 246  
email: [telapak@telapak.org](mailto:telapak@telapak.org)

[www.telapak.org](http://www.telapak.org)

### FRONT COVER PHOTOGRAPH:

Timber in Danang port, Vietnam  
© Philip Jones Griffiths/Magnum Photos

## CONTENTS

1	INTRODUCTION
2	THE VANISHING FORESTS OF THE MEKONG REGION
6	THE RAPID RISE OF VIETNAM'S TIMBER INDUSTRY
10	UNCOVERED: TIMBER SMUGGLING INTO VIETNAM
16	THE THAI CONNECTION
18	FINAL DESTINATIONS
20	RECOMMENDATIONS





© EIA/Telapak

## INTRODUCTION

EIA/Telapak have been probing the trade in stolen timber in East Asia since the late 1990s. Over the last decade, governments around the world have made a raft of pronouncements regarding the seriousness of illegal logging and their determination to tackle it. Yet the stark reality is 'business as usual' for the organised syndicates looting the remaining precious tropical forests for a quick profit.

This report contains new information from field investigations carried out by the Environmental Investigation Agency (EIA) and its partner Telapak. It exposes how the rapid growth of Vietnam's wood processing industry is threatening some of the last intact forests in the Mekong region, especially those in neighbouring Laos.

Since the mid-1990s, Vietnam has taken steps to conserve its remaining forests, whilst at the same time hugely expanding its wooden furniture production industry. Furniture exports from the country were US\$ 2.4 billion in 2007, a startling ten-fold increase since 2000. It is unfortunately inevitable that due to the lack of controls on the global timber trade, illegal timber constitutes a significant component of the imported raw materials supplying Vietnam's furniture factories.

Vietnam has an unenviable track record when it comes to dealing in stolen timber. In the late 1990s it was caught importing illegal timber from neighbouring Cambodia. In 2003 EIA/Telapak documented shipments of stolen logs from Indonesia entering Vietnam.

As the price of raw timber increases, and some wood producing countries like Indonesia take steps to combat illegal logging, the trade in stolen timber shifts. New evidence from EIA/Telapak reveals that Vietnam is now exploiting the forests of neighbouring Laos to obtain valuable hardwoods for its outdoor furniture

industry. This trade is in direct contravention of laws in Laos banning the export of logs and sawn timber.

During 2007 EIA/Telapak investigators visited numerous furniture factories and found the majority to be using logs from Laos. In the Vietnamese port of Vinh, EIA/Telapak witnessed piles of huge logs from Laos awaiting sale. At the border crossing of Naphao, 45 trucks laden with logs were seen lining up on the Laos side waiting to cross into Vietnam. EIA/Telapak estimate that at least 500,000 cubic metres of logs move from Laos to Vietnam every year.

It is not just Vietnam which is exploiting its neighbour. Traders from Thailand and Singapore are also cashing in. Posing as investors, EIA/Telapak investigators met with one Thai businessman who bragged of paying bribes to senior Laos military officials to secure supplies of timber worth potentially half a billion dollars.

The cost of such unfettered greed is borne by poor rural communities in Laos who are dependent on the forests for their traditional livelihoods. They gain virtually no income from this trade: instead, the money goes to corrupt officials in Laos and businesses in Vietnam and Thailand.

The ultimate responsibility for this dire state of affairs rests with the consumer markets which import wood products made from stolen timber. To some extent the dynamic growth of Vietnam's furniture industry is driven by the demand of end markets such as the European Union and US. Until these states clean up their act and shut their markets to wood products made from illegal timber, the loss of precious tropical forests will continue unabated.

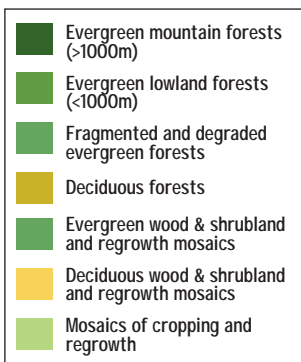
EIA/Telapak  
March 2008



# THE VANISHING FORESTS OF THE MEKONG REGION



Forest cover map 1:4 Mio., Stibig and Beuchle, 2003\*



© EIM/Telepak

## ABOVE:

Forest cover map of the Mekong region, 2000 – the dark green areas indicate shrinking areas of intact forests

## RIGHT:

The Mekong River – a vital resource for the region

The once-abundant forests of the Mekong countries – Cambodia, Laos, Thailand and Vietnam – have been seriously degraded by over-exploitation. Illegal logging and the associated trade in stolen timber remains a major factor driving deforestation in the region. Growing threats such as land clearance for plantations and dam construction are driving further forest loss, with dire implications for rural communities, ecological integrity and biodiversity.

The Mekong region contains a variety of tropical and sub-tropical forest types and is host to an array of valuable and vulnerable tree species sought by the international timber trade, including rosewood (*Dalbergia spp.*), keruing (*Dipterocarpus spp.*), teak (*Tectona Grandis L spp.*) and yellow balau (*Shorea spp.*). These dwindling forests also contain significant biodiversity hotspots, providing refuge for a range of endangered species, including the Asian elephant, clouded leopard, tiger, and Malayan sun bear.

Rampant commercial exploitation over the last three decades has led to severe deforestation across the Mekong region. Between 1990 and 1995, around 17 million hectares of forest were lost in the Asia Pacific region, with the highest rate of deforestation of 1.6 per cent found in the Mekong. Many of the remaining forests in the Mekong basin have been so heavily logged that they are now of critically low quality, with only around 10 per cent of forests in Laos remaining commercially viable.<sup>(1)</sup>

The scale of forest loss has severe implications for the Mekong River, the longest river in South-East Asia and a vital resource for the region. Deforestation in its watersheds leads to accelerated run-off, erosion and leaching of nutrients. The Mekong River Commission has stated that deforestation is a significant concern for all Mekong country governments.<sup>(2)</sup> Severe flooding incidents causing widespread devastation across the Mekong Delta have been directly attributed to deforestation.<sup>(3)</sup>

Although the overall rate of deforestation has slowed since the 1990s, figures show continuing forest loss in the region. Between 2000 and 2005 Vietnam lost 51 per cent of its remaining primary forests, ranked second worst in the world, while Cambodia lost 29 per cent, ranked third worst. While the accuracy of forest cover statistics has been called into question, it is evident that logging and land clearance continue to strip the last forests of the Mekong.<sup>(4)</sup>

Rural communities are reliant on the forests for their livelihoods and suffer the consequences of illegal and unsustainable exploitation. In Cambodia, for instance, a third of income in rural areas could potentially come from resin tapping, but logging concessions extract up to 90 per cent of resin trees in an area.<sup>(5)</sup>

## LOGGING AND TIMBER TRADE

Massive over-exploitation of forest resources during the 1980s and 1990s led to the imposition of domestic logging controls by several Mekong countries. Yet at the same time these countries - especially Vietnam and Thailand - have continued to develop domestic timber processing sectors, and have often turned to neighbouring states for supplies of raw timber.

Following severe floods in 1988, the Thai government banned logging in the country in January 1989. Between 1965 and 1989 the country had been losing 2.6 per cent of forests and woodland every year. In the year after the ban, logging in natural forests fell by 83 per cent, yet Thai timber businessmen simply switched to the neighbouring countries of Cambodia and Burma to secure supplies of timber for the growing wooden furniture industry.<sup>(6)</sup>

In Vietnam, large-scale logging in the 1980s and early 1990s caused significant forest loss. At its peak, up to 4.5 million cubic metres of logs were felled in natural forests in one year. Such chronic exploitation led the Vietnamese government to begin imposing controls on the logging industry in 1992, including an 80 per cent reduction in the logging quota and a log export ban. By 1997 Vietnam had closed down around three-quarters of its state-forestry enterprises. At the same time as domestic controls were introduced, Vietnam began sourcing increasing amounts of timber from the neighbouring countries of Cambodia and Laos.<sup>(7)</sup>

The region has also expanded timber plantations to supply raw material. In some instances plantation development acts as a convenient cover for stripping timber from natural forests and in Thailand plantation expansion has met with opposition from local communities.

In terms of timber trade, the Mekong countries are characterised by complex patronage relationships and corruption, a willingness to exploit neighbouring countries' forest resources while protecting domestic forests, and a system of confusing and poorly enforced laws. Vietnam and Thailand have emerged as regional timber processing centres. China's economic growth is also affecting the Mekong's natural resources, with significant volumes of timber from Laos being exported to China, and Chinese firms logging in Cambodia.<sup>(8)</sup>

While the Mekong countries have a series of logging controls and timber trade restrictions, in reality these measures are often undermined by poor governance allowing illegal logging and trade in stolen timber to perpetuate in the region. Timber from Cambodia continues to be transported by truck into Thailand in breach of national regulations. In Thailand, illegal logging continues in national parks, with the wood often laundered through neighbouring countries to disguise the origin. In September 2006 a seizure of 1,600 valuable payoong logs (*Dalbergia cochinchinensis spp.*) occurred at a warehouse in Bangkok. The trees had been felled in Thailand, then transported to Laos and imported back into Thailand.<sup>(9)</sup>

These illicit activities continue despite a series of regional initiatives aimed at improving forest management. In 2001, Cambodia, Laos, Thailand and Vietnam all supported the East Asia Forest Law Enforcement and Governance (FLEG) Bali Declaration, committing countries to take action against illegal logging and trade in illegally-sourced timber.<sup>(10)</sup> In 2004 the four countries, under the banner of the Association of South-East Asian Nations (ASEAN), agreed to the Vientiane Action Programme, which sets a target of eradicating unsustainable forest management practices by 2010.<sup>(11)</sup> Despite such commitments, recent field investigations by EIA/Telapak reveal that illegal logging and timber smuggling continues to thrive in the Mekong region, with the forests of Laos being especially targeted by neighbouring Vietnam and Thailand.

**BELOW AND BOTTOM:**  
Illegal logging to supply the timber trade continues in the Mekong region



© EIA/Telapak



© EIA/Telapak



# LAOS - SURROUNDED ON ALL SIDES



© EIA/Telepak

Laos has retained more of its forest cover than neighbouring Vietnam, Cambodia and Thailand, and has some of the most important remaining intact primary forest in the region.

Until recently, a slower rate of forest exploitation was partly due to low population densities and low economic growth. Of its population of 5.6 million people, over 80 per cent live in rural areas, with subsistence agriculture contributing around half of the country's gross domestic product.<sup>(12)</sup>

According to the Laos government, current forest cover in the country is around 40 per cent, and has been declining from around 70 per cent since the 1970s.<sup>(13)</sup> On-going loss of forest cover is a major concern in a country where most of the population relies directly on forest resources for food, water, shelter and livelihoods through non-timber forest products such as rattan and resin from keruing trees.

Forest health and integrity has also been affected with increasing fragmentation and decreasing forest density, with dense forest declining from 29 per cent in 1992 to

#### ABOVE:

Rural communities in Laos rely on forests for livelihoods

#### RIGHT:

Nam Theun II dam construction

8 per cent at present, and open forest increasing from 16 per cent to 25 per cent of the total. Recent surveys suggest that the deforestation rate stands at 53,000 hectares per year.<sup>(14)</sup>

## MANY LAWS....BUT WEAK ENFORCEMENT

In response to growing concerns over forest loss, the Laos government has issued a series of policies aimed at restricting both logging and export of timber, partly to recentralise control and sideline provincial officials. In reality weak governance, corruption, and legal loopholes mean that the laws are rarely enforced and forest loss continues unabated.

The main legislation governing forestry in Laos is the Forestry Law of 1996. This law defines the five different forest types in the country (protection, conservation, production, regeneration, and degraded) and sets the roles and responsibilities of various government agencies involved in forest management.

As a reaction to losing income through a lack of value-added processing, the Laos government ordered a ban on the export of logs and a reduction in sawn timber exports in 1999 and 2001. In 2004 exports were further limited to semi-finished wood products. In 2007 the Laos Ministry of Industry and Commerce declared that timber for export must be 100 per cent finished products. Also in 2007 the Laos government issued a series of new regulations - registering timber at sawmills, ending the award of wood quotas to provincial officials, and making the export timber and wood products the exclusive right of central government.

These various forestry-related laws and orders can be summarized as: logging is only allowed in Production Forest Areas (PFAs) that have an approved management plan; forest management must involve local communities in planning and operations and must give them 17.5 per cent of stumpage for village development; and export of roundwood and sawn wood is illegal, as is the harvesting of a select list of valuable tree species.



© EIA/Telepak



© EIA/Telapak

Based on existing laws, virtually all the timber removed and exported from Laos forests is illegal. Of the 106 PFAs in the country, only six have approved management plans, and in most cases, villagers do not receive their legally-guaranteed share of income from logging. Nearly all exports of Laos timber are still in the form of logs or sawn wood.

The regulatory framework in Laos is further confused by timber extraction from "special" projects such as large dam schemes. As of mid-2007, 75 hydroelectric power dams had been approved by the Laos government throughout the country, as part of the national development strategy to become a major energy supplier to the region. One of the most controversial dams is Nam Theun II in Khammouane province in central Laos. This highly criticized hydropower project has had many social and environmental safeguard irregularities, including illegal logging in the bordering Nakai-Nam Theun National Protected Area (NPA).

The gap between the legal framework and the reality in the forests is due to entrenched governance problems. While the central government issues edicts and regulations designed to sustainably manage forests and limit exports of raw timber to allow domestic processing to grow, the rules are routinely flouted by local officials and powerful military interests. As a result the valuable timber found in Laos forests is sold cheaply to neighbouring countries, with little or no benefit for poor rural communities. Instead the profits are accrued by a clique of influential local government and military officials.

At the national level, the annual logging quota has been declining, from over 700,000 cubic metres in 1999 to 150,000 in 2005 and just 31,700 cubic metres

ABOVE:

Stockpiles of logs, Nam Theun II area

in 2006.<sup>(15)</sup> The exception to this pattern occurs when timber from dam schemes such as Nam Theun II is added to the quota, with 300,000 cubic metres earmarked for 2006. Yet in reality the national logging quota is meaningless, as provincial authorities issue logging quotas to timber firms in return for gifts and bribes.

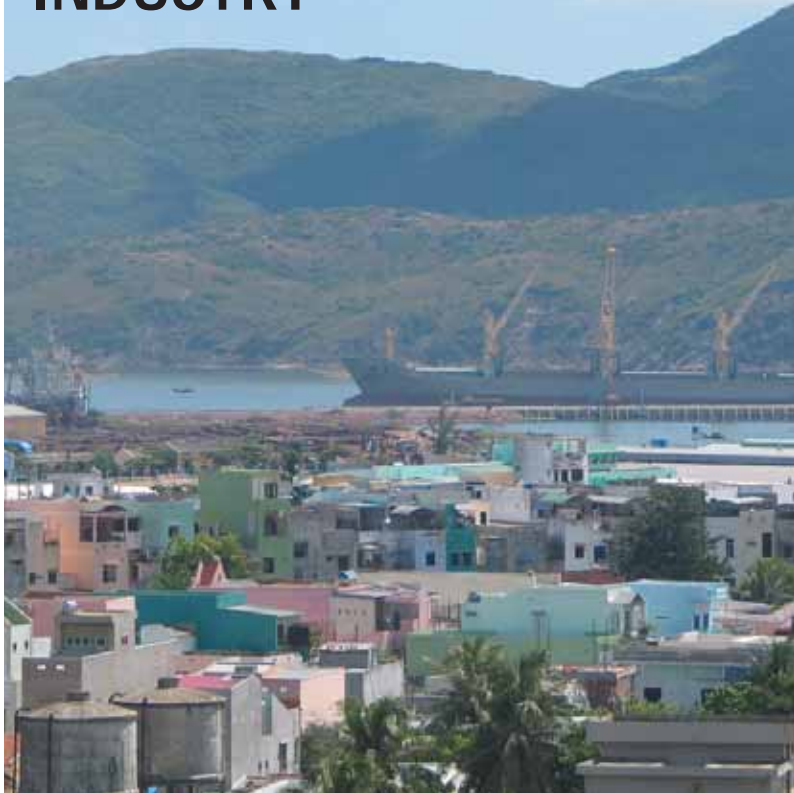
In this context, illegal logging and timber smuggling is widespread. Informed sources estimate that in 2006 around 600,000 cubic metres was cut illegally, with a market value of US\$ 250 million. Protected areas are often the target for illegal logging operations, such as the Dong Ampham NPA in Attapeu Province, from where the illegal logs are exported to Vietnam.

The smuggling of logs across the porous Laos-Vietnam border is facilitated by connections between military officers on both sides of the border. In Laos the military remains a powerful institution with wide business interests, including logging, and has close links with its Vietnamese counterpart.

The combination of natural forests containing an array of valuable timber species and poor governance of the forestry sector makes Laos an attractive source of raw materials for the wood processing industry in neighbouring Vietnam and Thailand. Investigations by EIA/Telapak reveal how timber traders in both Vietnam and Thailand are using relationships with corrupt military and local officials in Laos to systematically strip the country of valuable tropical hardwoods.



# THE RAPID RISE OF VIETNAM'S TIMBER INDUSTRY



© EIM/Telapak

**ABOVE:**  
Qui Nhon town, main centre for Vietnam's outdoor furniture industry

Vietnam, once rich in old-growth forests, has experienced a startling loss in forest cover in recent decades. The colonial period brought with it the first wave of large scale industrial exploitation of Vietnam's forests. By 1943 approximately 43 per cent of Vietnam's territory was forested, equivalent to 14.3 million hectares, but the protracted wars of independence devastated large areas of forest. By 1995 Vietnam had lost six million hectares of natural forest within 50 years, almost half of the forest cover recorded in the 1940s. Recent figures from the Vietnamese government indicate that by 2005 the country had increased its forest cover to 12 million hectares, of which almost three million hectares were plantation forests.<sup>(16)</sup>

Concerns over rampant deforestation caused by industrial logging prompted the government to shift policy from exploitation to conservation in the early 1990s. In 1992 the government banned the export of logs and rough sawn timber. Logging in watershed areas was banned and forest exploitation in seven provinces in the north of the country was halted.

In 1997 the government imposed a permanent logging ban in forests classified as "special use" and prohibited commercial logging in natural forests except for an allowable logging quota set by the government. These policies reduced the supply of timber cut in natural forests from 520,000 cubic metres in 1997 to 300,000 cubic metres in 2000. Logging is now restricted to production forests (both natural and plantation) accounting for approximately 40 per cent of the total forest area. The government limits the exploitation of natural forests through a logging quota system set at 150,000 cubic metres for 2007.<sup>(17)</sup>

With such tight controls on the logging of natural forests, most of the timber felled in Vietnam comes from forest plantations, containing low quality wood from fast growing trees such as eucalyptus and acacia. Around 80 per cent of the plantation timber is used as raw material for the pulp and paper industry, with approximately 300,000 cubic metres of higher quality rubber, pine and acacia wood used by the timber processing sector for furniture and handicrafts.<sup>(18)</sup>

## VIETNAM'S FURNITURE INDUSTRY BOOM

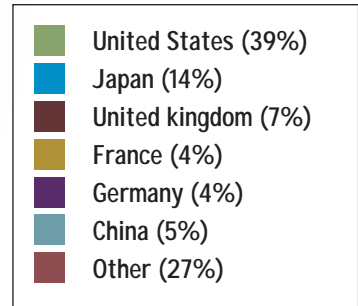
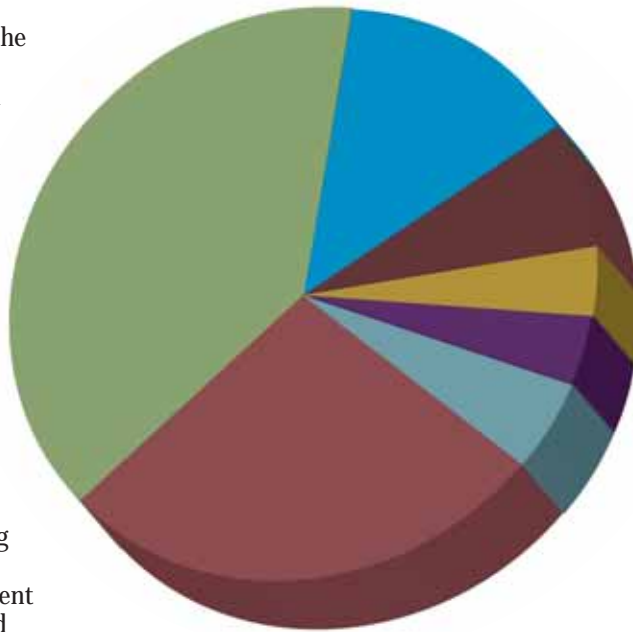
Vietnam has rapidly built a dynamic wood processing industry and in the last decade has earned a reputation as a world-class producer of wooden furniture, exporting 90 per cent of its total furniture production to 120 countries. In 2007, exports of furniture reached US\$ 2.4 billion in value, a stunning ten-fold increase since 2000, making wood products Vietnam's fifth largest export earner.<sup>(19)</sup> Exports for 2008 are predicted to reach a value of US\$ 3 billion, a 25 per cent increase on the previous year.<sup>(20)</sup>

Such phenomenal growth has propelled Vietnam past Indonesia and Thailand to become the second largest exporter of wood products in South-East Asia, and the fourth largest in the world.<sup>(21)</sup> In terms of overseas trade, the US, Japan, UK, Germany, France and China are the top six markets for Vietnamese furniture, accounting for 75 per cent of all exports. In 2006 the US imported US\$ 744 million worth of furniture from Vietnam, followed by Japan (US\$ 287 million) and the UK (US\$ 136 million).<sup>(22)</sup>

The growth of Vietnam's wooden furniture industry is due to a tradition of skilled craftsmanship, low labour costs,



and the opening up of the country's economy to outside investment and trade. Vietnam now has about 1,500 wood processing enterprises with a total processing capacity of over two-and-a-half million cubic metres of logs a year. Of these, 450 businesses are thought to be involved in furniture export, with outdoor furniture manufacturing accounting for approximately 90 per cent of Vietnam's total wood product exports.<sup>(23)</sup>



Clusters of outdoor furniture exporters have formed in the Binh Dinh, Danang and the Central Highland regions, as well as near the major cities of Ho Chi Minh City (HCMC) and Hanoi. The biggest centre for outdoor furniture is the port town of Qui Nhon. The town formerly acted as the exit point for round logs being cut in the upland interior. When the government began restricting logging in the early 1990s, Qui Nhon's favourable location led to the establishment of the first outdoor furniture manufacturing factories there. Today the town has a sprawling industrial zone focusing solely on furniture production, with a number of huge integrated production facilities. Indoor furniture and interior wood decoration enterprises are centered in HCMC, Hanoi, Binh Duong and Dong Nai.

The Vietnamese government has encouraged the growth of the furniture industry through a range of measures, including promoting the industry to overseas markets with an annual budget of US\$ 10 million in 2007. The government has also implemented a credit policy and has relaxed regulations to enable private ownership of companies. The investment climate for foreign investors has been improved and it is now easier to establish foreign-owned enterprises. Many of the leading furniture manufacturers in Vietnam have some degree of foreign investment, predominated by companies from Taiwan and Europe. The amount of foreign direct investments (FDI) in the sector has increased rapidly in the past six years, with over 200 companies receiving FDI.<sup>(24)</sup> The government further supports the industry by not imposing

import duties on raw materials and machinery for producing furniture, and by setting favourable taxation rates for export-oriented businesses.

Yet with minimal domestic wood supply to feed the rapidly expanding furniture industry, Vietnam has to rely heavily on timber imports to meet demand. In the last six years the value of imports of wood and forest products has increased by 500 per cent from US\$ 120 million in 2000 to US\$ 716 million in 2006. Wood processors in Vietnam import two million cubic metres of timber a year: over 80 per cent of the material needs of the industry.<sup>(25)</sup> In 2007 Vietnam was expected to import three million cubic metres of timber for the wood processing industry.<sup>(26)</sup>

**ABOVE:**

Pie chart: Top six markets for Vietnam's furniture exports in 2006 (based on data from Vietnam's Ministry of Industry and Trade)

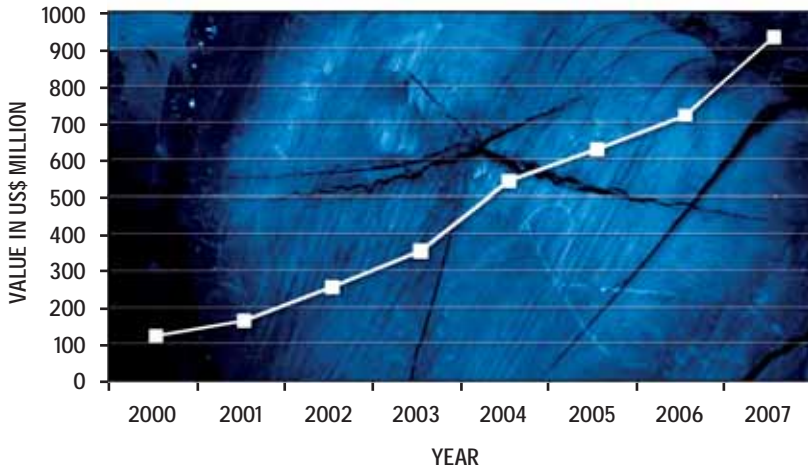
**BELOW:**

Vietnamese sign near the border with Laos: "Forest is gold. If we know how to protect and build it, the forest will be very precious."



© EIA/Telapak

VIETNAM'S WOOD PRODUCT IMPORTS IN US\$ MILLION



**ABOVE:**  
Graph showing steep rise in timber imports to Vietnam (based on data from United States Department of Agriculture, Foreign Agricultural Service, 2006)

**BELOW:**  
Vietnamese log trucks carrying timber from Laos under the cover of darkness

The three top countries supplying timber to Vietnam in 2005 were Malaysia (20 per cent by value), Laos (8 per cent), and Cambodia (7 per cent).<sup>(27)</sup> Around 80 per cent of the forest product imports are logs, sawn lumber and veneer with the rest being engineered wood.<sup>(28)</sup>

Given Vietnam's ambitious expansion plans for the furniture industry and a growing construction industry, the demand for wood is expected to continue to rise. The industry has set export targets of US\$ 5.5 billion in 2010 and US\$ 7 billion in 2020, and is relying on

the growth of domestic plantations to meet much of the increased demand. Meanwhile, heavy reliance on timber imports will continue. According to Nguyen Ton Quien, vice chairman of the Vietnam Timber and Forest Production Association: "The materials for wood processing are seriously lacking. As we estimate we have to wait ten more years at least to be able to take the initiative in wood materials when the forests can be exploited. In the near future we have no other choice than importing wood materials."<sup>(29)</sup>

During the last few years the Vietnamese outdoor furniture industry has responded to market demands in the EU and US by sourcing increasing amounts of certified timber, including wood from plantations. The manufacturers now use a higher proportion of certified timbers such as eucalyptus, acacia and plantation teak, sourcing from as far away as South Africa and Costa Rica. Yet the industry continues to use significant quantities of tropical hardwoods sourced from natural forests, principally teak, keruing and yellow balau from nearby countries such as Laos, Cambodia, Malaysia, and Indonesia. Recent EIA/Telapak investigations show that much of this timber is illegal.



© EIA/Telapak





## VIETNAM'S TRADE IN STOLEN TIMBER

Illegal Indonesian logs, Haiphong port, August 2003

© EIA/Telapak

With a huge gap in volume between the raw material used by the Vietnamese furniture industry and the small amount provided by Vietnam's own forests, the country has emerged as a major destination for illegal timber. It is estimated that in 2003 around nine million cubic metres of illegal timber and wood products, worth over two billion dollars was traded in the South-East and East Asia region. Vietnam's rise as a huge timber processing centre is intrinsically linked to its consumption of stolen timber from nearby Asian countries.

A detailed report issued in 1999 revealed how Vietnamese outdoor furniture manufacturers were buying large quantities of logs from neighbouring Cambodia, despite the fact that Cambodia had imposed a total export ban in 1996. The report found that furniture factories in just four towns - Qui Nhon, Pleiku, Song Be and Bien Hoa - had stockpiles of 260,000 cubic metres of illegal Cambodian logs in early 1998, and that 70 log-carrying trucks were crossing from Cambodia to Vietnam every day. The report also exposed how the major Vietnamese timber company Vinafor was colluding with the Cambodian military to import logs in defiance of the ban.<sup>(30)</sup>

In August 2003 EIA/Telapak investigators tracked a shipment of illegal logs from Central Kalimantan, Indonesia, to Haiphong port in Vietnam. Documents revealed that the barge was carrying over 2,000 cubic

metres of yellow balau logs, worth at least half a million dollars. It was operated by the Indonesian company PT Sinarut Wirya Perkasa, part of the business empire of notorious timber baron Abdul Rasyid. The shipment clearly contravened Indonesia's 2001 log export ban. Despite requests from the Indonesian government for the Vietnamese authorities to intervene, the shipment was only temporarily detained before the cargo was released to the buyer, the Nam Dinh Forestry Products Joint Stock Company.<sup>(31)</sup> Evidence indicates that Rasyid, named by the Indonesian government as responsible for large-scale timber looting from Tanjung Puting National Park, often shipped illegal timber to Vietnam. In mid-2001 a cargo vessel owned by Rasyid sank en route to Qui Nhon carrying 3,400 cubic metres of timber.

In 2005 an investigation into timber used to produce garden furniture sold on the UK market revealed the use of fake documents to mask the origin of wood used by a Vietnamese garden furniture manufacturer.<sup>(32)</sup> The UK seller of outdoor furniture made from keruing wood provided documents claiming the Vietnamese manufacturer had obtained the raw timber from Malaysia. Subsequent investigations showed that the documents, including a Certificate of Origin issued by the Chinese Chamber of Commerce in Labuan, East Malaysia, were falsified.<sup>(33)</sup> Evidence indicates that Indonesia was the true origin of the timber, which was smuggled out of the country in contravention of the log export ban.

# UNCOVERED: TIMBER SMUGGLING INTO VIETNAM



© EIA/Telapak

**ABOVE:**  
Log trucks waiting to cross the Laos-Vietnam border at Naphao, January 2008

**RIGHT:**  
Map showing main routes for timber smuggling from Laos to Vietnam

Between September and December 2007 EIA/Telapak investigators set out to probe the legality of the major flows of tropical hardwood feeding Vietnam's outdoor garden furniture sector, and to gauge the ease with which illicit timber could enter the supply chain.

Posing as furniture buyers and timber traders, EIA/Telapak met with manufacturers in Qui Nhon, Hanoi and Ho Chi Minh City. During the course of these meetings it emerged that the Vietnamese outdoor furniture industry continues to rely heavily on supplies of illegal timber. While many of the companies are moving progressively towards certified timber, especially eucalyptus and acacia, as a response to market demands, there are still significant flows of illicit keruing and yellow balau timber into the outdoor furniture production sector.

An important shift appears to have taken place over the last three years. Prior to 2005, Vietnamese manufacturers relied heavily on Indonesian logs, especially balau, in contravention of the country's log export ban. Due to improved enforcement in Indonesia, supplies have become more erratic, leading Vietnamese factories to switch to neighbouring Laos to obtain yellow balau and keruing. The investigation reveals how a few companies with the necessary connections, especially with the military, are able to secure large quantities of logs from Laos. These logs



are sold on to other timber processing firms and are even offered for export to third countries from Vietnamese ports.

Despite a log and sawn timber export ban in Laos, the country's porous border with Vietnam ensures a regular supply of timber. In early 2008, EIA/Telapak investigators travelled to Laos and observed several convoys of trucks loaded with logs travelling across the border crossing from Khammouane province in Laos to Quang Binh province in Vietnam. The trucks were reportedly



destined for Vinh port in Vietnam's Nghe An province. Clearly, the log export ban is not observed by customs in either Laos or Vietnam.

At the Naphao border crossing, EIA/Telapak observed a total of 45 trucks carrying logs across from Laos to Vietnam in one afternoon. Sources have reported similar scenes in other provinces in Laos such as Bo Y crossing in Attapeu and the Lao Bao crossing in Savannakhet. Based on this, and taking into account logging seasons and the number of border crossings which log trucks pass through, it is estimated that Vietnam receives at least 500,000 cubic metres of logs from Laos every year.

Most of the logs are transported to Vietnamese ports such as Dong Nai, Danang, Vinh and Dong Hai. In late 2007, EIA/Telapak investigators observed large amounts of logs in Vinh port and Xuan Hai in Ha Tinh Province that had been brought in from Laos days earlier. From there the logs are sold and redistributed to factories throughout Vietnam, in particular Qui Nhon and Binh Duong, where the country's biggest outdoor furniture manufacturers are located. The logs are then processed and manufactured into products for export.

Increasing amounts of logs from Laos are also sold on to the international market via Vietnam. For instance the Singapore firm UPF Pte. Ltd. claims to regularly trade Laos keruing logs through the Vietnamese port of Danang. In December 2007 the company was looking for a shipper to deliver 10,000 cubic metres of Laos logs from Danang to Shanghai in China.<sup>(34)</sup>

Overall, the series of meetings with Vietnamese outdoor furniture companies and the monitoring of key ports and border crossings carried out by EIA/Telapak reveal the continuing and widespread use of illegal timber by the industry.

## KHAI VY CORPORATION

EIA/Telapak investigators visited Khai Vy Corporation, one of Vietnam's largest outdoor furniture companies with an annual turnover of US\$ 30 million, at its headquarters in Ho Chi Minh City. Khai Vy has a further three large-sized factories in Qui Nhon. The company ships 200 containers a month, of which 70 per cent is outdoor furniture. In 2005 the company received US\$ 6 million from the World Bank's International

Financing Corporation (IFC) 'to fund working capital needs and upgrade its manufacturing facilities in Vietnam'.<sup>(35)</sup> Part of this agreement stipulates that within five years of money being disbursed, all of the company's timber must come from well-managed forests, as verified by a reputable body. When EIA/Telapak met with Khoa Nguyen, the company vice-president, he was keen to stress the company's environmentally-conscious credentials and internal verification systems for legal and certified timber. But beneath this façade lies a different story.

During discussions with Khai Vy staff it emerged that until a few years ago the company sourced large amounts of logs from Indonesia, in particular from Pangkalanbun - a notorious logging town in Central Kalimantan which serves as an exit point for timber stolen from nearby Tanjung Puting National Park<sup>(36)</sup>. A clampdown on illegal logging in Indonesia in 2005 made it difficult for Khai Vy to obtain logs directly from the country, so it began sourcing from Malaysia. It bought supplies from a trading company called Golden Glory Enterprise, based in Sabah, which arranged for logs to be smuggled from Indonesia to Malaysia and then exported to Vietnam.

Khai Vy dealt with the owner Frederick Soh who would arrange for false documents to 'certify' that the logs were from Malaysia. Khai Vy's executive Le Van Tan, who worked in their log procurement team, revealed: "In Sarawak the logs from Indonesia... but the C.O. (Certificate of Origin) from Malaysia."

BELOW:  
Laos logs stockpiled in  
Vinh port, Vietnam,  
December 2007



© EIA/Telapak



© EIA/Telapak

**ABOVE:**  
Tien Dat factory, Qui Nhon. The firm imported 40,000 cubic metres of Laos logs in 2007

Due to supply constraints from Indonesia and Malaysia, in around 2005, the company shifted its attention to Laos which was seen as a safer option, despite widespread knowledge within the industry of illegal logging there. As Tan acknowledged: "...some companies, when they buy one batch (of logs)... their supplier may say to them that they only have paperwork for 200 cubic metres ... are you ok with that? If you're ok with that, then you buy it. So, 200 cubic metres have paperwork and 800 cubic metres no paperwork."

But Khai Vy does not buy logs directly from Laos. Instead, it buys them from Vietnamese middlemen who arrange false documents so that the logs are 'certified'. Tan said: "We buy it from middlemen from Vietnam. Because the middlemen, they know how to make paperwork. They make the paperwork and then we can buy them". On average, Khai Vy annually purchases around 5,000 cubic metres of mixed yellow balau and keruing logs from Laos. The end products, especially for yellow balau, are exported to the US, France, UK, Holland and Spain.

A few days later, EIA/Telapak investigators travelled to Qui Nhon to pay a visit to another Khai Vy-owned factory called Duyen Hai II. The team was given a tour of the premises, including the log yard, where investigators saw keruing logs waiting to be processed. The factory manager Li Tai Hung confirmed that the logs originated from Laos.

## TIEN DAT COMPANY

EIA/Telapak investigators met with Nguyen Thanh Trung of Tien Dat Company at the company's sprawling production site on the outskirts of Qui Nhon. The company manufactures a wide range of outdoor furniture and accessories and also procures large quantities of yellow balau logs which it sells on to other furniture manufacturers in the area. It has an annual turnover of US\$ 21 million and ships around 300 containers of furniture a month during the peak period.

According to Trung, all of Tien Dat's yellow balau logs are sourced from Laos. In 2007 the company had brought in 40,000 cubic metres of logs for production. The logs were secured by Tien Dat's owner Do Xuan Lap and negotiated as part of a Vietnam-Laos cooperation agreement. Trung revealed how his boss uses connections within the Vietnamese military who liaise with their Laos counterparts to ensure the supply of logs is unhindered.

Of the total 40,000 cubic metres of logs Tien Dat imported to Vietnam, only 10,000 cubic metres had been processed in its factory and exported as furniture. The remainder had been sold to local furniture producers such as Phu Hiep and My Tai. Trung said that log trading is more profitable than furniture production as the profit margin is considerably greater, adding that good connections were vital to secure log



supplies from Laos. EIA/Telapak investigators were subsequently told by representatives of the Hanoi-based firm Taianh Wood Processing that it supplies logs originating in Laos to Tien Dat.

According to Trung, Tien Dat's yellow balau production is estimated to be worth US\$ 5 million a year. Most of the products are exported to European countries, such as France and Germany. Trung said that whilst the market is leaning towards certified timber species such as eucalyptus and teak, the market for certified balau remains small given that Forest Stewardship Council (FSC) certified yellow balau costs over 50 per cent more than non-FSC options.

## DAI THANH FURNITURE

EIA/Telapak investigators visited the Dai Thanh Furniture Joint Stock Company, situated near Tien Dat in Qui Nhon, and met with sales manager Nguyen Vo Nam Viet. With an estimated annual turnover of US\$ 30 million from their five factories, Dai Thanh is one of the largest furniture producers in Vietnam. Most of their production is outdoor furniture, but the company is also starting to develop its indoor furniture range.

According to Viet, Dai Thanh imports up to 150,000 cubic metres of logs every year, of which about 10 per cent is yellow balau and 10 per cent is keruing. All the yellow balau and keruing Dai Thanh sources are non-FSC. Dai Thanh has a timber sourcing team that travels throughout the region to purchase yellow balau and keruing logs. Viet openly acknowledged that the company sources logs from Indonesia and Laos, despite those countries banning log exports.

Viet told EIA/Telapak investigators: "We can still buy it, keruing more than 80 inches in diameter, from Malaysia, Indonesia and Laos". He also elaborated further on his sourcing from Laos, revealing that Dai Thanh buys "from the government and the owner also. Sometimes, the company own the forests, because some forest is private". Dai Thanh imports an estimated 10,000 cubic metres of logs from Laos every year. The company also purchases logs on the open market in Qui Nhon port.

According to Viet, Dai Thanh exports around 1,600 containers of outdoor furniture every year, around 10 per cent of which is yellow balau and keruing furniture. Most of the furniture is

exported to Auchan in France, and Landmann Peiga in Germany.

## MY TAI FURNITURE

EIA/Telapak investigators met with My Tai Furniture, a medium-sized Vietnamese-owned company in Qui Nhon with an annual turnover of around US\$ 10 million. Like most outdoor furniture companies, My Tai's production is geared towards the export market, especially the US.

Nearly half of the raw materials that My Tai sources are non-certified yellow balau - around 15,000 cubic metres of logs every year. The company purchases yellow balau (as well as merbau and kapur) logs from overseas traders. My Tai also sources significant amounts of yellow balau logs from the open market in Qui Nhon port. EIA/Telapak investigators learned that substantial amounts of logs from Laos are traded between timber companies in Qui Nhon, with My Tai buying Laos balau from Tien Dat.

Most of the company's yellow balau furniture is exported to the US and sold through major retail outlets and online shopping websites.

## QUOC THANG GROUP

While in Qui Nhon, EIA/Telapak investigators met with the Phu Hiep Company. The parent company of Phu Hiep, the Quoc Thang Group, was established by Vo Thi Thuy, a member of Vietnam's national parliament. The company posts numerous advertisements online offering a wide range of FSC and non-FSC yellow balau, red balau, kapur and keruing outdoor furniture.

BELOW:  
Dai Thanh factory, Qui Nhon

BOTTOM:  
Laos logs in Tien Dat's factory - some of the stock was sold to Quoc Thang



© EIA/Telapak



© EIA/Telapak



© EIA/Telapak

**ABOVE:**

Yellow balau log from Laos outside Taianh factory. The firm is a major trader in logs from Laos

EIA/Telapak met with Hung Vo, a sales executive who used to travel the region to purchase raw materials for the company's factories.

Hung said that most of Quoc Thang's log supplies are sourced from Sandakan in Sabah, Malaysia. One of its suppliers is Frederick Soh of Golden Glory Enterprise, who also supplies Khai Vy with Indonesian logs laundered through Malaysia. Quoc Thang also sources FSC logs from the Deramakot auctions in Sabah. Although Hung denied sourcing logs from Laos, the company Tien Dat claimed to have sold Quoc Thang a consignment of yellow balau logs from Laos.

The Quoc Thang Group exports a total of around 80 containers of furniture of all species every month and has an estimated turnover of US\$ 12 million a year. Its main market is Europe, particularly France and Germany, but they also export to North America. Staff claimed most of its yellow balau products are shipped to clients in France, with most of its keruing furniture exported to Italy.

**HOANG PHAT COMPANY**

EIA/Telapak investigators visited the factory of Hoang Phat, a relatively small Vietnamese-owned furniture company in Qui Nhon with an annual turnover of US\$ 5 million based on a monthly production of 50 containers of furniture. According to Nguyen Tich Hoan, managing director of the company,

yellow balau makes up around a third of Hoang Phat's total production output, and keruing 20 per cent. He added that Hoang Phat imports its yellow balau and keruing as logs from Laos (around 3,000 cubic metres a year) and Malaysia (a few hundred cubic metres a year). Most of the firm's yellow balau furniture is sold to German-based Renz Warenhandel. Another company that purchases Hoang Phat's yellow balau furniture is the UK-based Transcontinental Group.

**TAIANH WOOD PROCESSING**

EIA/Telapak investigators travelled to the Vietnamese capital of Hanoi to meet with Taianh Wood Processing, a medium-sized firm producing outdoor furniture made from yellow balau and keruing. According to company representative Ha Dang Phuong, the factory only started producing outdoor furniture in early 2007, and so far was exporting to one customer in Germany. During the hour-long meeting it emerged that Taianh's main business was log trading, with its supplies being sourced from Laos, Indonesia and Malaysia.

Unlike most of the furniture firms visited by EIA/Telapak, which rely on middlemen and trading companies to obtain raw materials, Taianh imports directly from the source countries, ensuring reliable and regular supplies. Ha claimed to have been sourcing logs from Laos for over 10 years and frequently travels across the border to oversee log purchases. Ha



was aware that Laos bans the export of logs, but claimed to have the connections to easily circumvent the controls.

TAIANH: Now in Laos, you cannot import logs... Have to sawmill first. Now it's a little bit difficult...

EIA/Telapak: But it's no problem for you?

TAIANH: No, no problem.

EIA/Telapak: You can still get logs?

TAIANH: Yes.

During a tour of Taianh's log yard, EIA/Telapak investigators saw large piles of ironwood (pyinkado) logs that were imported from Laos. There were also several large yellow balau logs from Laos, the remnants of a larger stockpile which had been sold on to local factories. Ha also said his firm had received a shipment of Indonesian balau logs a few months earlier which had also been sold on.

At the time of EIA/Telapak's visit, Ha mentioned that Taianh had just imported 3,000 cubic metres of keruing and 5,000 cubic metres of yellow balau from Laos, adding that the timber was stored at a port in Vinh City. The price for the timber was US\$ 500 per cubic metre for yellow balau, and US\$ 350 for keruing. A few days later EIA/Telapak investigators travelled to Cua Lo port in Vinh and discovered large stockpiles of balau logs belonging to Taianh. The logs were trucked over from Laos in December 2007. Most of the logs Taianh imports are sold to furniture manufacturers throughout the country, including Tien Dat in Qui Nhon City.

## VIETNAM FOREST CORPORATION (VINAFOR)

While in Hanoi, EIA/Telapak investigators also visited the headquarters of the Vietnam Forest Corporation (Vinafor), a sprawling state-owned forestry conglomerate with interests ranging from furniture production and timber plantation development to trade in wildlife and tourism. During the course of a meeting with Nguyen Kim Oanh, manager of the import and export department, it was revealed that Vinafor was in the final stages of signing a contract to secure four million cubic metres of timber from neighbouring Cambodia.

According to Oanh the deal was part of a bilateral agreement between the governments of Vietnam and Cambodia to develop plantations in the latter. Under the deal, Vinafor will cut up to four million cubic metres of mixed timber, including precious hardwoods, from natural forests in Cambodia and will then develop a plantation on the land. Sources suggest that the plantation projects will either be in Cambodia's Kratie province or the border area in Rattanakiri province.

Vinafor has a track record of exploiting Cambodia's forest resources in contravention of the country's regulations. In 1999 the company was found to be receiving logs from a Cambodian military unit despite the country's log export ban.<sup>(37)</sup> Oanh also stated that Vinafor obtains supplies of yellow balau logs from Laos and Indonesia.



LEFT:  
Log trucks crossing the border to Vietnam in contravention of the Laos log export ban

© EIA/Telapak

# THE THAI CONNECTION



© EIA/Telapak



© EIA/Telapak

## TOP:

Log storage area, Central Laos. LVT claims to be the only company able to import logs from Laos into Thailand

## ABOVE:

Logging equipment owned by Laos military company BPKP

Unlike Vietnam, Thailand is not a major log importing country and does not rely heavily on log supplies from Laos to sustain its domestic industry. Yet EIA/Telapak investigations indicate that Thailand is an important financier of logging operations in Laos and plays a key role in the country's timber trade. Much of the logging is linked to rural development and dam projects carried out by Thai-based companies such as Ital-Thai, and Ch. Karnchang. There are also Thai-owned companies involved in the lucrative log trade in Laos, securing and illegally exporting logs out of the country for enormous profits.

In July 2007, EIA/Telapak came across a Thai company called LVT (Laos Vietnam Thailand) International advertising large amounts of logs for export from Laos. Posing as timber buyers, EIA/Telapak investigators held a series of meetings with Prakrit Sribussaracum, the owner of LVT, which revealed the murky nature of natural resource business deals in Laos and high-level corruption.

LVT's main sources of logs are from development projects in Laos, where large tracts of forests are clear-cut for dam constructions and road building. Some of the dam construction sites where LVT sources its logs include Nam Theun II, Nam Nguem III and Xe Kaman III. Most of LVT's logs are from the largest and most controversial dam project in Laos - the World Bank-funded Nam Theun II.

The timber controlled by LVT comes from concessions that originally belonged to Laos military-owned company Bolisat Phathana Khet Phoudoi (BPKP) until its license was revoked and the forest was opened to bidders. The company that won the tender was Phongsak Company, headed by Gouey Hien, a Lao national of Vietnamese descent. Phongsak has strong connections to the Politburo of the Laos People's Revolutionary Party. Phongsak also owns Nancy Wood Processing Company, which is one of LVT's logging partners in Laos.

LVT is believed to have financed at least part of Nancy's logging operations in the Nam Theun II concession areas. According to Sribussaracum, Phongsak finished logging seven out of the ten concessions in November 2007. The company was given another year to finish logging the remaining three zones. Sribussaracum revealed to EIA/Telapak that two of the remaining zones were outside the dam reservoir area, where log extraction is illegal.

To secure the lucrative timber contracts, Sribussaracum revealed that he paid substantial bribes to Lao government and military officials including a senior general. At the first meeting with EIA/Telapak investigators in July 2007 he said: "I pay a lot of money for this contract. I pay more than (Thai Baht) 10 million (US\$ 322,000). I pay government people. I pay every step." He added that further payments were needed to



guarantee the deal, "I will pay the government Bt30 million (US\$ 968,000) for the next two months. I will find a partner to make this."

While the amount paid in bribes may appear large, it is a mere fraction of the potential profits LVT will receive from its log sales. According to Sribussaracum, the company will receive an estimated 1.8 million cubic metres of logs from all the logging sites combined. A list of the log species provided by LVT comprises many high-value species such as keruing, yellow balau and rosewood. Based on current market prices, these log sales would be worth well over US\$ 500 million.

Although LVT has until 2012 to complete the logging for all its outstanding contracts, Sribussaracum estimated that the company is likely to be finished with its current quota by 2009. LVT revealed that there are 27 other dam projects earmarked for construction by the Lao government and the company is vying to secure more logging contracts.

As LVT has just set up its log business, the company has yet to develop a customer base. Following the posting of several online advertisements offering logs for export from Laos, LVT received a great deal of interest from traders worldwide. Many of the traders are said to be from China and primarily interested in rosewood, a species prohibited for export by the Laos government. LVT also plans to supply logs to Vietnam, and to use Vietnamese ports for onward shipment to other markets.

As Laos is landlocked, LVT plans to use the ports of Danang in Vietnam, and Bangkok port in Thailand, to ship the logs to buyers. Sribussaracum repeatedly stressed that his contacts in Laos and Thailand mean that he is the only Thai businessman who can bring Laos logs across the border to Thailand. His staff also mentioned how the boss of LVT had connections to senior military officials in Laos.

LVT: "Logs ... only one company can import from Laos."

EIA/Telapak: "Just you?"

LVT: "Yes. Contact high rank officer to the government."

EIA/Telapak: "Through that you can get logs?"

LVT: "Yes, round logs."

In December 2007, EIA/Telapak investigators were taken by LVT staff to

Nancy's log yard in central Laos, a three-hour drive from the Thai-Laos border crossing at Nakhon Phanom. At the site EIA/Telapak saw vast amounts of logs collected from the Nam Theun II concessions and surrounding forests. According to Thanagrit Janmook, a former Thai forestry official who is now a manager for LVT, some of the logs were to be exported to Thailand, but the majority were destined for Vietnam.

The case of LVT reveals how webs of patronage and corruption allow well-connected individuals like Sribussaracum to make a fortune out of the destruction of forests in Laos. Any financial benefits from the logging accrue in the hands of corrupt officials and avaricious businessmen, with the local communities suffering the consequences and receiving none of the income.

BELOW:  
LVT sawmill, near the  
Thai-Laos border

BOTTOM:  
LVT boss Prakrit Sribussaracum



© EIA/Telapak



© EIA/Telapak



## FINAL DESTINATIONS

© EIA/Telapak

**ABOVE:**  
Containers awaiting shipment  
from Qui Nhon port

The explosive growth in Vietnam's wooden furniture sector is driven by demand in the main end markets, especially in Europe and the US. The US is the single largest market, importing US\$ 930 million of wood products from Vietnam in 2007, equivalent to 40 per cent of total exports. Imports by the US for 2008 are projected to reach US\$ 1.1 billion. The EU market is predicted to import US\$ 780 million worth of Vietnamese wood products in 2008, a 30 per cent jump on the previous year's total.<sup>(38)</sup>

As EIA/Telapak investigations reveal, a significant proportion of the wooden products shipped from Vietnam to the EU and US is derived from illicit timber. While many of the leading brands and major retailers dealing with Vietnamese outdoor furniture producers have taken the necessary steps to ensure certified and legal timber is used, and have switched more to acacia and eucalyptus furniture, many importers still fail to exercise due care and are content to take the claims of the manufacturers in Vietnam at face value, and to buy products made from cheaper uncertified tropical hardwood timber of suspicious origin.

To examine the issue of due care EIA/Telapak carried out a random survey to discover whether importers

of keruing and yellow balau furniture in the UK (the third largest market for Vietnamese furniture) are failing to exercise the appropriate diligence needed to ensure illegal timber does not enter the supply chain.

### TRANSCONTINENTAL GROUP

While mainly trading in certified eucalyptus outdoor furniture, the company also sells keruing garden furniture, with its range being described in an industry catalogue as: "The keruing hardwood has been sourced from certified suppliers and complies with both international and environmental standards."<sup>(39)</sup> When contacted by EIA/Telapak researchers posing as buyers, the company admitted that its keruing sets were not certified, and that their supplier did not produce certified keruing goods. Investigations in Vietnam reveal that Transcontinental are supplied with wooden furniture by Hoang Phat, where staff admitted that the firm sources almost all of its keruing logs from Laos.

### YOUR PRICE FURNITURE:

Internet trading site Your Price Furniture sells various different sets of keruing and balau garden furniture. Their site claims: "All timber is sourced from factories that have FSC (Forestry Stewardship Council) chain of custody certification ensuring that the timber



originates from renewable sources."<sup>(40)</sup> When contacted by EIA/Telapak, the firm provided FSC chain of custody certificate codes for two Vietnamese factories - IMC II Company and Quoc Thang - which supply all of Your Price Furniture's keruing and balau furniture respectively. Investigations in Vietnam show that while Quoc Thang buys FSC balau from Malaysia, it also purchases yellow balau logs cut in Laos from the Vietnamese firm Tien Dat. As Your Price Furniture's balau products are not FSC-certified, it is highly likely the company is buying furniture made from Laos logs imported illegally into Vietnam.

### WISEACTION

One importer, WiseAction, claims to be "one of the UK's leading suppliers of environmentally friendly timber products". WiseAction's website claims that their Vietnamese-produced keruing range "comes from logging in rotation and re-plantation... strictly controlled by the Vietnamese government."<sup>(41)</sup> When questioned by EIA/Telapak staff at WiseAction admitted there was no evidence the claim was true and had put the statement on its site at the suggestion of its Vietnamese supplier.

### KYBOTECH LTD

Kybotech's "BillyOh" brand of outdoor furniture includes certified acacia and eucalyptus and keruing. After initially claiming that all its products were fully-FSC certified, the company admitted that the keruing furniture sets were not actually certified. The company representative claimed that "all the keruing wood is sourced from a government controlled sustainable forest", but admitted not knowing from which country the keruing originates.

This snapshot of UK retailers of Vietnamese-produced balau and keruing outdoor furniture shows that many firms in the sector are failing to carry out adequate checks to ensure the legality of timber used in the products, a pattern likely to be repeated in other major markets for Vietnamese furniture, such as the UK, France and Germany.

Faced with growing concern over the impact of illegal logging on deforestation and climate change, governments in the US and EU have been grappling with mechanisms to exclude illicit timber from their markets. In the US the Legal Timber Protection Act is being debated by legislators. If adopted, the act would make it an offence to import or sell timber and all wood products derived from illegal logging. In the EU an initiative called Forest Law Enforcement, Governance and Trade (FLEGT) seeks to form partnerships with timber producing countries to ensure only supplies of legal timber enter the EU market.

**BELOW:**  
Demand for cheap outdoor furniture in markets like Europe and the US drives the expansion of Vietnam's timber processing industry



© EIA/Telapak



© EIA/Telapak

## FLEGT AND VIETNAM

The EU's FLEGT Action Plan is based on Voluntary Partnership Agreements (VPA) between timber producing countries and the EU. Under VPAs, timber legality verification systems will be set up in producer countries to ensure that only legal timber from the partner country enters the EU market.<sup>(42)</sup> In Asia formal VPA negotiations were launched in 2006 with Malaysia and with Indonesia in 2007.

A major weakness of VPAs is the focus on direct shipments of timber from partner countries, marking a failure to take into account the complex supply chains in the global timber industry. Raw timber often passes through several countries before entering the EU as wood products. Another problem with VPAs is that end products such as furniture are currently not included on the list of timber categories to be controlled.

For FLEGT to fully achieve the stated aim of tackling the EU's role as a consumer of illegal timber it must be relevant to the situation in countries like Vietnam. While Vietnam is not a significant timber producer, it is a major producer and exporter of wood products to the EU. The EU and Vietnam should begin discussions on a VPA specifically geared towards timber processing and including finished wood products such as furniture.



# RECOMMENDATIONS

Illegal logging and trade in stolen timber presents a major challenge to the international community: a challenge it has so far manifestly failed to live up to. The consequences of inaction will be further deforestation, frustrating efforts to tackle climate change and serious impacts on forest-dependent communities.

EIA/Telapak investigations reveal how Vietnam continues to rely on illicit timber to feed its burgeoning wooden furniture industry. Recently it has turned to neighbouring Laos to supply valuable hardwood logs, which are being cut from some of the last natural forests in the Mekong region and transported across the border in defiance of the laws in Laos. Corruption is a central factor in the trade - local communities in Laos receive little or no benefit: instead profit is accrued by government and military officials.

As virtually all of the furniture made in Vietnam is exported, the ultimate responsibility for these forest crimes lies with the major consumer markets such as the EU and US. It is the demand for cheap wooden products that drives illegal logging, and a lack of diligence and adequate regulations in consumer states which allows the trade in illicit timber to flourish.

#### MAJOR TIMBER CONSUMING COUNTRIES SHOULD:

- Enact laws banning the import and sale of timber and wood products derived from illegal logging.

#### THE EUROPEAN UNION SHOULD:

- Commence discussions with the Vietnamese government on a FLEGT VPA specifically targeted towards timber processing and including finished wood products.

#### COMPANIES SHOULD:

- Implement purchasing policies requiring that all wood used in the manufacture of furniture imported from Vietnam is verified as legal by credible independent assessors, including a transparent and full chain of custody.

#### CONSUMERS SHOULD:

- Only buy wood products independently verified as legally sourced, with a transparent and full chain of custody.

#### THE GOVERNMENT OF VIETNAM SHOULD:

- Commence discussions with the EU on a FLEGT VPA.
- Instruct customs officials to block imports of logs and sawn timber from Laos.
- Conduct spot checks of wooden furniture manufacturers and impound illegal timber.
- Hold bilateral discussions with the Laos government to control illicit timber trade between the two countries.

#### THE GOVERNMENT OF LAOS SHOULD:

- Instruct customs officials to stop exports of logs and sawn timber to Vietnam.
- Hold bilateral discussions with the Vietnam government to control illicit timber trade between the two countries.
- Investigate all timber supply contracts signed with the Thai company LVT.

#### GOVERNMENTS OF EAST ASIA SHOULD:

- Honour commitments made in the East Asia FLEG Bali Declaration.
- Agree to customs cooperation and enforcement mechanisms to combat the regional trade in illegally-sourced timber, such as prior notification of log shipments.





## REFERENCES

1. Global Environment Outlook, United Nations Environment Programme, 2000
2. Olivier Cogels, Mekong River Commission, October 2005
3. UN Agency Blames Mekong Floods on Deforestation, Reuters, 25/09/2000
4. FAO Global Forest Resources Assessment 2005
5. Global Witness, Cambodia's Family Trees, 2007
6. Forest Trends, At the Supply Edge: Thailand's Forest Policies, Plantation Sector and Commodity Export Links With China, 2005
7. Forest Trends, Central Plan and Global Exports: Tracking Vietnam's Forestry Commodity Chains and Export Links to China, 2005
8. The Economist, Can We Help You? How China is Wooing a Poor Neighbour, 29th March 2007
9. Bangkok Post, Payoong Poaching Rife, 31/08/2006
10. East Asia FLEG Bali Declaration, September 2001
11. ASEAN Vientiane Action Programme, 2004
12. United Nations Development Programme, About Lao PDR, 2006
13. Ministry of Agriculture and Forestry, Lao PDR, Forestry Strategy to the year 2020, 2004
14. World Bank, Lao PDR Environment Monitor, 2005
15. Asia-Pacific News Agencies, Decline of Wood Extraction, 15/03/2006
16. General Statistics Office Vietnam, Statistics Yearbook 2006
17. Fordaq News: Exports of wood products could reach US\$2.4 billion in 2007, 10/01/2008
18. United States Department of Agriculture, Foreign Agriculture Service, Gain Report VM5008, 2005
19. Fordaq News: Exports of wood products could reach US\$2.4 billion in 2007, 10/01/2008
20. Thai News Service, Vietnam Wood Exports to Fetch US\$ 3 billion in 2008, 21/02/2008
21. Dow Jones, Vietnam Targets Furniture Exports Up 32% At US\$ 2.5 Bln This Year, 13/06/2007
22. Fordaq News: Exports of wood products could reach US\$2.4 billion in 2007, 10/01/2008
23. United States Department of Agriculture, Foreign Agricultural Service, GAIN Report VM5079, 2005
24. CSIL, The Furniture Industry in Vietnam, 2007
25. Vietnam News Brief Service, Customs Clear Hindrances for Woodwork Export. 11/09/2007
26. Dow Jones Commodities Service, Vietnam Targets Furniture Exports Up 32% At US\$ 2.5 Bln This Yr - 13/06/2007
27. United States Department of Agriculture, Foreign Agricultural Service, GAIN Report VM6075, 2006
28. Vietnam: Exports of wood products could reach US\$2.4 billion in 2007 10/01/2008 Fordaq News
29. Vietnam Net Bridge, Wooden Products Exports Grow Well But Problems Exist, 17/01/2008
30. Global Witness, Made in Vietnam - Cut in Cambodia, 1999
31. EIA/Telapak - Stemming the Tide, 2005
32. Greenpeace - Forest Crime File: Wyevale Garden Furniture, March 2005
33. Pers comm., Malaysia Timber Industry Board, 2005
34. [www.geocities.com/lumbersg](http://www.geocities.com/lumbersg)
35. [www.ifc.org/ifcext/pressroom](http://www.ifc.org/ifcext/pressroom)
36. EIA/Telapak, Above the Law, 2003
37. Global Witness, Made in Vietnam - Cut in Cambodia, 1999
38. Thai News Service, Woodwork Exports to Fetch 3 Billion in 2008, 21/02/2008
39. [www.gima.org.uk/GIMANPD2007.pdf](http://www.gima.org.uk/GIMANPD2007.pdf)
40. [www.yourpricefurniture.co.uk/erol.html#237X0](http://www.yourpricefurniture.co.uk/erol.html#237X0)
41. [www.wiseaction.com/pdf/palm%20beach.pdf](http://www.wiseaction.com/pdf/palm%20beach.pdf)
42. European Union, Council Regulation EC 2173/2005, 2005

\* Map Source (Page 2) - Forest cover map of Continental Southeast Asia at 1:4 000 000 derived from SPOT4-VEGETATION satellite images, Stibig, H.-J. and Beuchle, R. 2003, Publications of the European Communities, EUR 20856 EN, 30 pp

ENVIRONMENTAL INVESTIGATION AGENCY (EIA)

62/63 Upper Street  
London N1 0NY, UK  
Tel: +44 (0) 20 7354 7960  
Fax: +44 (0) 20 7354 7961  
email: [ukinfo@eia-international.org](mailto:ukinfo@eia-international.org)

[www.eia-international.org](http://www.eia-international.org)



EIA US

P.O.Box 53343  
Washington DC 20009 USA  
Tel: +1 202 483 6621  
Fax: +202 986 8626  
email: [usinfo@eia-international.org](mailto:usinfo@eia-international.org)

TELAPAK

Jalan Pajajaran No. 54  
Bogor, Indonesia  
Tel: +62 251 393 245 /715 9909  
Fax: +62 251 393 246  
[telapak@telapak.org](mailto:telapak@telapak.org)

[www.telapak.org](http://www.telapak.org)

