Pulp & Paper Sourcing
Vietnam

December 2015
PULP & PAPER INDUSTRY CONTEXT:

Forestry in Vietnam - Vietnam has a forest area of 13.8 million ha, equivalent to 44% of the country. The forest industry contributes 1.7% to the country’s GDP of which the pulp and paper sector is an important component and growing.

Key element of the P&P supply chain - The pulp and paper supply chain in Vietnam is comprised of both domestic and international elements. Much of the virgin fibre inputs are produced domestically in Vietnam. This is supplemented with imports of fibre, pulp and paper from a number of countries. Approximately 80% of pulp and paper is consumed domestically; however, the country also exports large volumes of pulp and paper products, principally within ASEAN.

<table>
<thead>
<tr>
<th></th>
<th>Imports</th>
<th>Domestic production</th>
<th>Exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fibre - Industrial round wood (1,000 Tonnes)</td>
<td>489</td>
<td>14,340</td>
<td>19</td>
</tr>
<tr>
<td>Pulp for paper (1,000 Tonnes)</td>
<td>132</td>
<td>626</td>
<td>0</td>
</tr>
<tr>
<td>Paper and paperboard (1,000 Tonnes)</td>
<td>648</td>
<td>1,324</td>
<td>24</td>
</tr>
<tr>
<td>Total (1,000 Tonnes)</td>
<td>1,269</td>
<td>16,290</td>
<td>62</td>
</tr>
<tr>
<td>Top 5 countries</td>
<td>Indonesia, Thailand, China, Republic of Korea, Cameroon.</td>
<td>China, Japan, Republic of Korea, India, Thailand.</td>
<td></td>
</tr>
</tbody>
</table>

Table 1: P&P table showing volume of fibre imports, domestic production and exports and top five trading countries

Main species used by the industry – Acacia (Acacia Spp) and Eucalyptus (Eucalyptus Spp) are the key species grown domestically for use in the pulp and paper industry. The sector also uses large volumes of recycled material – up to 80% - which is both sourced domestically and imported.

Plantation vs Natural forest – The majority of domestically produced fibre is sourced from industrial pulp plantations, which have grown considerably in recent years to supply the demands of the industry. Limited volumes are originating from natural forest.

Spatial concentration of the industry – The pulp and paper industry is primarily concentrated in the north and south of the country and includes a mix of paper and pulp mills. (See Annex 1)

Forest ownership (State vs Private) – Vietnam's forests are currently managed by eight forest user groups: Management Boards (MB), Households, People's Committees (PC), State companies, organisations, economic entities, army and the community.

- Private: 25%
- State: 75%

Legality issues –
- The 2014 Transparency International CPI score for Vietnam is 31. As this is lower than 50, it indicates a high concern for governance and corruption in Vietnam and the forest sector in general.
- Global Forest Registry states that Vietnam has unspecified risk based on its forest governance and law enforcement related to logging and trade.

ENVIRONMENTAL CONTEXT:

Forest cover/growth – Between 2000 and 2010 Vietnam's forest cover has increased by 2.3%. The increase is due to government reforestation efforts and through distribution of forestry land to the local households to encouraging agro-forestry/forest management among the local communities. This is a positive trend; however, it masks the pressure for conversion of natural forests.

Concerns raised about the industry – There is a growing pressure on natural forests due to an increasing population and conversion to agricultural commodities.

Impacts on HCV – High Conservation Values (HCVs) are biological, ecological, social or cultural values which are considered outstandingly significant or critically important, at the national, regional or global level. It has been documented by the

---

Global Forest Registry that Vietnam is considered low risk due to robust conservation systems in the country.

**Peat resources and associated use/activities** – Vietnam has a large peat resource with peat swamp forests covering an area of 12.3 million ha in the Mekong Delta. These forests provide an important resource for timber and non-timber forest products as well as ecological services such as flood control. However, in recent years, principally in the lower Mekong Delta and central Vietnam, increasing demand for agricultural commodities and land have lead to their drainage and conversion to other land uses\(^\text{10}\).

**Impacts on water resources** – The water risk score for Vietnam is 1\(^\text{11}\) and is classified as low to medium risk.

**SOCIAL CONTEXT:**

**Pulp and pulp industry employment** - Out of 251,000 people employed in the forest industry, 93,000 people (37.1%) are employed in pulp and paper sector\(^\text{1}\). There are however also millions of people that are dependent to some degree upon the forests for their livelihoods.

**Concerns about FPIC or other social issues** – Unclear definition on forestry property rights has created confusion in the ownership of land and forests. In 1993, the Land Law (LL) transferred the right to individuals to lease, transfer, manage, and inherit the title of the possessed forestland; however, subsequent changes to this law imply the government’s control over these forests\(^\text{12}\). Forest-dependent people are largely missing out on new wealth while natural forests are continuing to disappear\(^\text{13}\).

---

\(\text{10 - Peatlands in SE Asia, no date, http://www.peat-portal.net/index.cfm?&menuid=123&parentid=70, last accessed on 12.08.2014.}\)


\(\text{12 - Nguyen et al, no date, http://iasc2008.glos.ac.uk/conference%20papers/papers/N/Nguyen_%20218802.pdf, last accessed on 12.08.2014.}\)

\(\text{13 - The Centre for people and forests, no date, http://www.recoftc.org/site/Vietnam/, last accessed on 12.08.2014.}\)
FOREST CERTIFICATION CONTEXT:

Certification schemes available in Vietnam – Forest certification is currently not widely present in Vietnam. To date 136,706 ha (1%) of the nations forests are certified by the FSC\textsuperscript{14}. There are currently no records of PEFC\textsuperscript{15} in Vietnam.

Criticisms of the schemes\textsuperscript{16} - The slow adoption of forest certification in Vietnam has been attributed to the high costs of certification, especially involved in certifying are high for small scale farmers, lack of technical expertise and confusion over land titling, which is a pre-requisite for forest certification.

GENERAL OVERVIEW- The pulp and paper industry in Vietnam is a key sector in the forest industry and is growing with large focus on exports in the region. The increase in forest cover in general is a positive trend, however, there are concerns regarding natural forest conversion to plantations, the use of non-native species with their effect on the environment and social issues especially regarding land titling.

PRIORITy RATING- HIGH PRIORITy

<table>
<thead>
<tr>
<th>Responsible Sourcing Values</th>
<th>Legal Values</th>
<th>Environmental Values</th>
<th>Social Values</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Corruption Perception Index (CPI)</td>
<td>Global Forest Registry</td>
<td>Protection of HCS</td>
</tr>
<tr>
<td>Vietnam</td>
<td>Red</td>
<td>Red</td>
<td>Green</td>
</tr>
</tbody>
</table>

ANNEX 1: PULP AND PAPER MILL LOCATIONS IN VIETNAM
(Source: RISI database, accessed on December 14, 2015)