PROMOTING VIETNAM'S EXPORT OF WOOD PRODUCTS TO THE EUROPEAN UNION (EU) IN THE CONDITIONS OF EVFTA IMPLEMENTATION

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Abstract: ***EVFTA, an agreement between Vietnam and the EU that takes effect from 2020, opens up many opportunities for exports due to tax incentives and a favorable trade environment, especially in the wood processing and recycling industry. However, businesses need to fully understand the agreement and improve their capacity to meet the high standards of the European market. This article analyzes the theoretical basis and current Vietnam's exports of wood products to the EU, especially assessing the multi-dimensional impact of EVFTA on this activity.***

• Keywords: *FTA, EVFTA, wood export.*

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1. Introduction

Vietnam's export of wood products plays an important role in the economy. In the context of integration and the implementation of the Vietnam-EU Free Trade Agreement (EVFTA), the industry faces both significant challenges and opportunities. EVFTA helps to expand opportunities for Vietnamese wood products to enter the EU market thanks to preferential tariff reduction policies, bringing direct competitive advantages over competitors. However, this opportunity comes with great challenges, especially strict requirements on rules of origin, technical standards, safety, environment (such as requirements for legal wood origin under VPA/FLEGT), and social responsibility. These factors are not only advantages but also mandatory conditions for businesses to maintain market share in the EU in the context of increasingly fierce competition.

Although the Vietnam's wood industry has made significant progress, the competitiveness of many enterprises remains limited, especially in the areas of deep processing technology, innovative design, branding and sustainable supply chain management. To maximize the benefits from EVFTA and overcome barriers, enterprises need to make strong efforts to improve these factors.

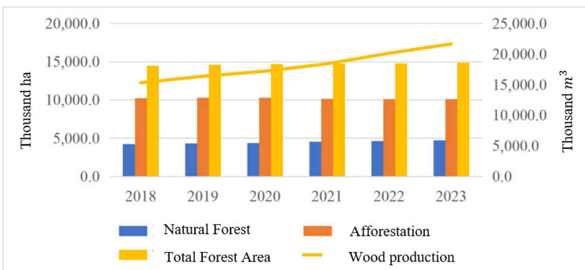
2. Research Methodology

Data is collected from domestic and international agencies, including the Ministry of Industry, Customs, and VIFOREST (Vietnam Wood and Forestry Association), to facilitate analysis. Applying PESTEL analysis to assess the political, economic, social, technological, environmental, and legal factors impacting wood exports. Comparing export data before and after EVFTA to assess the impact of the agreement. Employing statistical instruments to analyze data and formulate scientific findings.

3. Overview on Vietnam's wood and wood product industry

3.1. Overview on Vietnam forest areas

Figure 3.1. National Forest Area and Forest Production Chart (2018 - 2023)



Source: GSO

Vietnam's forest area has increased from 14.5 million hectares in 2018 to 14.9 million hectares in 2023. Post-harvesting reforestation helps maintain sustainability and boost the growth of the wood industry. Wood production will reach 21.6 million m^3 by 2023, with three provinces include: Quang

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Nam, Quang Ngai and Binh Dinh, as the main wood production centers.

Figure 3.2. Total forest areas across Vietnam in 2023 (thousand hectares)

Area	Natural Forest	Afforestation	Total Forest Area
Red River Delta	489.3	182.1	307.2
Northern midland and mountain region	5,439.6	3,738.4	1,701.2
North Central and Central Coast	5,621.2	3,777.5	1,843.7
Central Highlands	2,093.6	492.1	2,585.7
Southeast	479.7	258.9	220.8
Mekong River Delta	244.6	79.2	165.4

Source: GSO

Figure 3.3. 10 provinces with the largest forest area in Vietnam (thousand hectares)

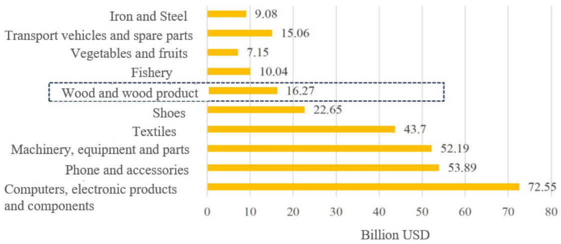
1	Nghe An	1,018.8
2	Quang Nam	681.1
3	Son La	676.9
4	Thanh Hoa	647.4
5	Gia Lai	650
6	Kon Tum	632.9
7	Quang Binh	591.4
8	Lang Son	578
9	Lam Dong	538
10	Dak Lak	506.7

Source: GSO

Forests in Vietnam are mainly distributed in three areas: the Northern Mountains, the Northern Central Sea, and the Western Seas. Some provinces have large forest areas, including Nghe An, Quang Nam and Son La.

3.2. Overview on Vietnam's wood and wood product industry

Figure 3.4. 10 major export products of Vietnam in 2024

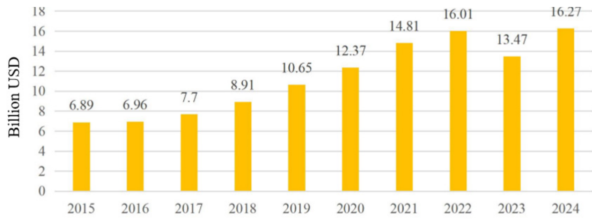


Source: General Department of Customs

Wood and wood products are one of Vietnam's main export goods, with a high rate of localization, reflecting the large participation of purely Vietnamese enterprises. This is in contrast to items such as computers and telephone components, where FDI businesses contribute primarily.

Vietnam's export of wood and wood products grew sharply, reaching USD 16.27 billion in 2024, an increase of 20.8% compared to 2023 (Table 3.5). Of this, FDI enterprises contributed more than $7.5 billion, accounting for about 46% of total export turnover. However, by January 2025, the export value dropped slightly to $1.42 billion compared to the same period in 2023. The Vietnam Wood and Forestry Association (Vifores) sets a goal of exporting wood industries to reach USD 18 billion by 2025, up 10.6% from 2024.

Figure 3.5. Export value of wood and wood products in the period 2015 - 2024



Source: General Department of Customs

According to figures provided by the General Department of Customs, the United States is the largest export market of Vietnamese wood products in 2024, reaching nearly $9 billion, accounting for 54.8% of the total export value. The next markets are China ($2.04 billion, 12.54%) and Japan ($1.72 billion, 10.56%). Other markets such as South Korea, Canada, the United Kingdom, India, and the Netherlands also contribute, but with exports worth less than $1 billion.

Regarding the structure of Vietnam's wood and wood products exported in 2024, the General Department of Customs reveals that wooden furniture accounts for the highest proportion of Vietnam's wood exports, reaching about 61% of export value in 2024, bringing great added value thanks to many stages of production. Products such as plywood (17%), wood and floorboards (13%), and compressed wood (5%) are intermediate products, requiring only a few steps from the raw wood.

4. Impacts of EVFTA on Vietnam's exports of wood products

4.1 Achievement

First, the export value of Vietnamese wood products has increased strongly recently. Before 2000, Vietnam's export wood processing industry had no position in the international market. However, due to the unremitting efforts of innovation and development, by 2019, Vietnam's wood export value had exceeded 10 billion US dollars, of which nearly 600 million US dollars came from the European market. Currently, Vietnam ranks among the best in the wood export group of ASEAN, surpassing competitors such as Malaysia, Indonesia, and Thailand, and Vietnam is second only to China in the scale of Asia. Vietnamese wood products are sold to more than 120 countries and regions, mainly to the United States, Japan, China, and the European Union, which are the regions with the largest wood consumption in the world.

Second, the new market has the potential to expand Vietnam's wood product structure. The EU is one of Vietnam's five largest wood export markets. In 2019, Vietnam's wood exports exceeded 10.5 billion US dollars, of which the EU accounted for nearly 600 million US dollars, accounting for more than 5%. If Britain is included, the figure is close to $900 million. Vietnamese enterprises export mainly in the form of FOB, which requires close cooperation between Vietnamese and EU enterprises. Since 2013, the FLEGT license has been applied to EU countries, and it is required to control the legality of wood products. The Vietnamese government cooperates with enterprises to prove the origin of logs and issue FLEGT licenses to export enterprises. Export promotion policies and trade promotion activities also help expand the market, not only in big markets such as Britain and Germany also in small markets such as the Netherlands, Italy, and France.

The Free Trade Agreement and Voluntary Partnership Agreement (VPA/FLEGT) between Vietnam and the EU has made it easier for Vietnamese wood products to enter the EU market.

Third, Vietnamese enterprises produce all kinds of wood products, from general products to complex and elegant furniture, to meet the various needs of the EU market. Vietnamese wood products combine tradition and modernity, especially exquisite carving products, forming unique characteristics. Due to international cooperation and modern technology, Vietnam's wood products are becoming more and more diversified and better in quality, which meets the requirements of international partners.

4.2. Limitations and causes

4.2.1. Regarding the State

Although the government has made efforts to support exports to Vietnamese businesses, especially the wood industry, administrative processes and tax policies remain complex, overlapping, difficult, and costly for businesses. A typical example is the complex and protracted import tax refund policy. In addition, the process of importing raw wood may be delayed if the enterprise has not received a Certificate of Origin (C/O) to prove its origin. Even when exporting wood products, even if the records and licenses are complete, the enterprise can still be assigned to the yellow or red line, costing time and effort for the submission of detailed records or the actual inspection of the goods.

4.2.2. Regarding the businesses

4.2.2.1. The limited compliance with EU regulations

Vietnamese enterprises face many difficulties in complying with EU regulations such as:

- Ensure and prove the legality of using wood sources.

- Establish, maintain, and operate complex systems to control the legitimacy of the entire supply chain.

- Continuous monitoring to ensure compliance with the origin and laws of wood.

The main reason of this is the lack of initiative to learn and prepare. In addition, the lack of clear, synchronous, and comprehensive instructions from competent authorities has also made it difficult for businesses to implement these requirements.

4.2.2.2. The unstable supply of raw materials

Although the domestic wood supply has improved, it still does not meet the sufficient demand. According to Vifores, the annual demand for raw materials is 31 million cubic meters, while the reserves and quality of natural forests (10 million hectares) have declined, only a small part of artificial forests (4.6 million hectares, with a production of 3.19 million hectares) have obtained sustainable forest management certificates, with 226. By the end of 2021, 429 hectares had FSC certification.

As a result, companies that process wood for export have to rely on importing raw wood from about 100 countries. This reliance not only increases costs and complexity in logistics but also conceals significant risks related to demonstrating the legitimate origin of the wood.

At the same time, traditional sources of wood supply from Laos and Cambodia are decreasing sharply as these countries tighten management and implement forest closure policies.

Raw wood prices in Malaysia, an important source of supply for Vietnam, are also increasing rapidly. Wood import prices increased sharply in the first quarter of this year, with logs increasing by 52%, sawn pine increasing by 38%, and sawn oak increasing by 36%. In addition, the long import time has caused delays in production activities, creating many difficulties for Vietnam's wood industry.

Chinese companies are also increasing their investment and purchasing rubber and acacia wood in

Central Vietnam, with a volume of up to 4 million tons per year, creating great competition in the domestic market.

4.2.2.3. The limited financial capacity and technology

The majority of businesses in the industry are small in size (63% according to Forest Trends), which limits competitiveness and access to difficult markets such as the EU.

In the context of increasingly stringent requirements on quality standards and traceability of origin, investment in modern production lines, advanced technology, and quality raw material sourcing assurance become essential factors. However, the cost for these categories is very high, creating a financial barrier for most businesses in the industry.

The delay of technology investment and production modernization leads to low labor productivity in Vietnam's wood industry. According to VIFORES data, the labor productivity of this industry is only half that of the Philippines, less than half that of China (40%), and only one-fifth that of EU countries (20%), which will negatively affect the price competitiveness and negatively affect presents a significant challenge.

Enterprises are having difficulty accessing bank credit due to credit institutions tightening regulations on foreign currency lending, high interest rates, and large collateral requirements, creating barriers to capital mobilization, especially for working capital needs and production expansion.

Many wood-exporting enterprises to the EU are facing risks when partners suddenly reduce orders, forcing them to accept to maintain the relationship. This makes exporters dare to operate at a low level, reduce production scale, and wait for positive signals instead of investing in expansion.

4.2.2.3. The limited competitiveness

Although the export price is usually at a low level, it is still difficult to compete with large manufacturers from China and Indonesia.

Considering the main export mode to the EU, the challenge is even more obvious: instead of direct sales, Vietnamese enterprises usually have to go through large distributors in Britain, Germany, and France. The lack of reputable national brands of wood products is a major obstacle, which directly affects the competitiveness and market penetration potential.

Dependence on intermediary channels and lack of strong brands make Vietnamese enterprises passive in valuation and share most of the profits. Although the total export volume may increase, the profits of each product are disproportionate, which limits the reinvestment and sustainable development of enterprises.

The main reason for these issues is that the high financial costs, especially high lending interest rates and long-term maintenance, has increased production costs. To cope with the cost pressure, enterprises cut management costs, save production costs, and increase labor productivity. However, raw material prices and labor costs continue to rise, forcing businesses to stock up on raw materials, further straining capital flows.

The competitive advantage from simple machining and cheap labor is becoming less efficient as input costs rise, while selling prices are difficult to adjust. Many wood-processing enterprises have shifted to producing high-end products, but this strategy requires large investments in technology, high-quality manpower, and management skills, elements that many Vietnamese enterprises still lack. Also, the shift to high-end products makes it more difficult for Vietnamese enterprises to compete with countries such as Myanmar, Malaysia, and Indonesia, because these countries are rich in natural wood resources and have lower production costs.

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