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Solutions to promote Vietnam's wood export in the covid-19 pandemic

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Abstract

In 2021, despite the influence of the COVID 19 pandemic, the export of wood and wood products still reached 14.809 billion USD, continuing to hold the 6th position in terms of export turnover of goods/group of goods of Vietnam (up 19.7% compared to 2020). This article would reflect the

actual situation of timber export in Vietnam in the COVID 19 pandemic and propose several appropriate solutions to contribute to the promotion of the wood export industry more effectively.

Keywords: Export, Wood, Covid-19, Vietnam

1. Introduction

COVID 19 pandemic has seriously affected the domestic and foreign manufacturing industries. Along with the initiative on production technology and input materials, the processing and export of timber are growing thanks to the increase of global consumption of goods and FDI inflows into Vietnam. According to the statistics of the General Department of Vietnam Customs, the export turnover of wood and wood products reached 13.361 billion USD, ranked 6th in the value of turnover of Vietnam's products/groups of export products in the past 11 months of 2021, up 21.1% compared to the same period last year. Importing wood and wood products reached 2.708 billion USD, up 20.1% over the same period in 2020. In 11 months of 2021, Vietnam has a 10,653 billion USD export surplus in import and export wood and wood products. To achieve such results, Vietnamese enterprises have made great efforts in seeking opportunities and expanding market share. Besides, a series of official FTAs take effect, creating favorable conditions for enterprises to export wood products and tough markets.

2. Vietnam's wood and wood products export situation in the COVID 19 pandemic

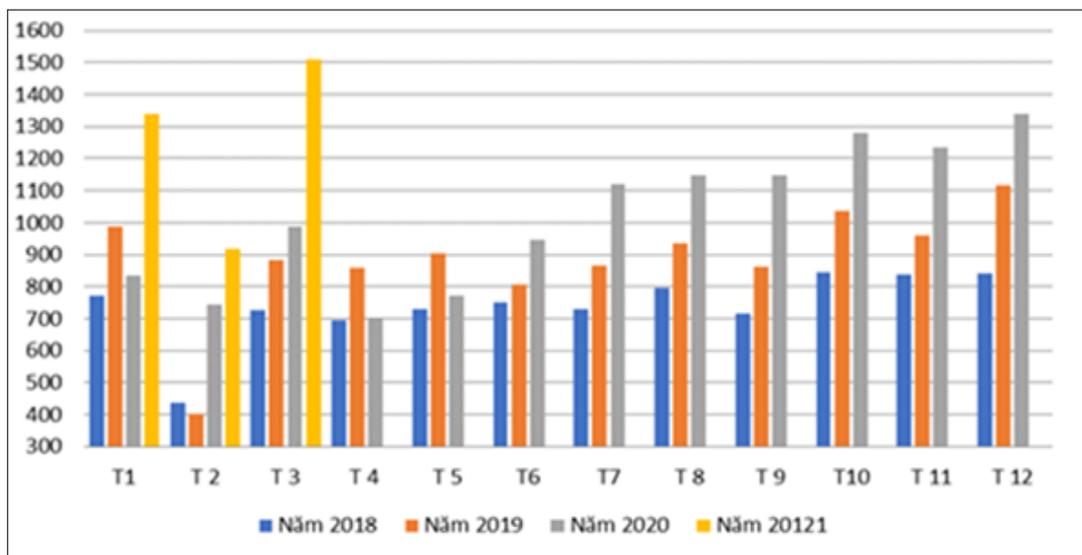
Despite the context of a seriously complex pandemic affecting many industries in the economy, Vietnam's wood export market still has achieved growth. Vietnam has over 6,000 wood companies in which more than 3,000 enterprises participate in the supply chain of global wood products, including 800 FDI enterprises. Thanks to the implementation of EVFTA last year, wood and wood products exports have the opportunity to enjoy tariff incentives. Still, businesses must ensure the use of raw materials from legal sources.

The Department of Import and Export (Ministry of Industry and Trade) estimates that exports of wood products in November 2021 reached 1.15 billion USD, up 20.9% compared to October 2021, but decreased by 7.4% compared to November 2020. The export value of wood products was estimated at 840 million USD, up 35.4% compared to October 2021, but decreased by 17.3% compared to November 2020. In 11 months of 2021, the export value of wood and wood products was estimated at 13.2 billion USD, up 20% compared to the same period of 2020. In which, the value of exported wood products was estimated at 9.9 billion USD, up 16.6% compared to the same period in 2020.

The growth motivation of the wood industry has a large focus on the wooden furniture group. The export value of this group accounted for 67.6% of the total value of wood and wood products exported in 11 months of 2021, reaching 8.2 billion USD, up 21.7% compared to the same period in 2020.

Wood and wood products export turnover is always in the top 10 export products groups of Vietnam (ITC, 2018).

The key export market of Vietnamese enterprises is the United States, EU, Korea, China, and Japan. The export value in these five markets is estimated at over 7.68 billion USD, accounting for about 89% of the total export turnover of the whole country. In which, the United States market was estimated at over 5 billion USD, up 99% compared to the same period of 2020; Japan reached 0.73 billion USD, up 11%; China reached 0.82 billion USD, up 22.9%; EU reached 0.68 billion USD, up 54%; South Korea reached 0.76 billion USD, up 7%. In particular, Vietnam has opportunities to boost exports of wood and wood products, especially wooden furniture products because of the EU's massive import demand.



Source: The General Department of Vietnam Customs

Fig 1: Wood export turnover of Vietnam

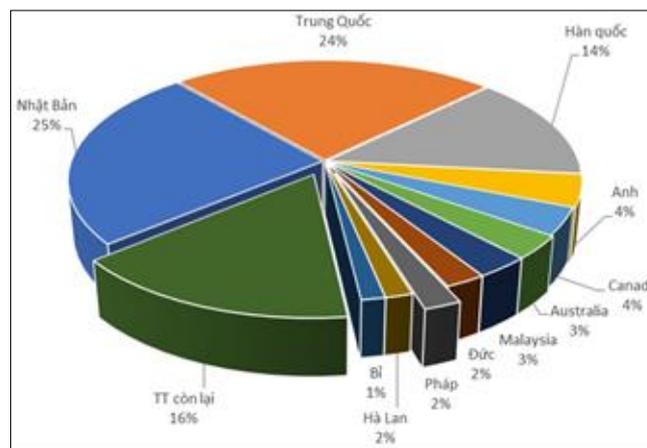
The proportion of the export value of this products group accounted for 82.8% of the total export turnover of wood and wood products of Vietnam to the EU. Besides, many supply partners of the EU are fighting with the Covid-19 pandemic, and the pressure on rising sea freight rates has limited the supply of wood and wood products into the EU. Therefore, this is an opportunity for Vietnamese wood and wood product exporters to maximize the incentives and advantages that the EVFTA agreement brings to enhance the share of exporting wood and wood products to the EU market.

Vietnam has the advantage of signing the Freedom Trade Agreement with the EU, whereby tax rates of Vietnamese products will be more competitive than products from China and India. Opportunities for buying modern technology machines with preferential tariffs from the Agreement will support Vietnamese wood and wooden products manufacturers to create products that are suitable for consumer demand in the EU and promote Vietnam's product export to the EU market in the coming time.

In November 2021, wood export turnover and wood products to most key markets increased strongly. In which, the three largest markets were China, the United States, and Japan increased respectively by 14.95%, 41.78%, and 8.88%, compared to the previous month, and strongly increased in the UK, Canada, Malaysia, Netherlands, Taiwan,... Especially, the French market increased by 108.89% compared to the previous month; Belgium increased by 110%, 74%; Saudi Arabia increased by 107.96%.

In 11 months of 2021, the United States continuously maintained as the largest market and recorded the highest growth among Vietnam's key export markets for wood and wood products, reaching nearly 8,0 billion USD, accounting for 59% of the total wood export turnover of the country. The next two markets, China and Japan, also reached a turnover of over 1 billion USD, increased respectively by 26.28% and 11.23%, compared to the same period last year. Besides, export turnover to the UK, Malaysia, the Netherlands market also increased strongly. In contrast, the export turnover to the Australian market decreased slightly

by 2.82% and slight increases in the Korean, Canadian, Germany, and French markets.



Source: The General Department of Vietnam Customs

Fig 2: Vietnam product export market share

According to the world's response to the Covid-19 pandemic, the global economic experts forecast that the global economy will gradually recover and grow again in 2022. Global consumption of goods will increase, FDI inflows into Vietnam will also increase, and the initiative on production technology and input wood materials will be the driving force for Vietnamese wood processing and export activities.

Wood processing and export enterprises will receive multiple orders but will also face many difficulties such as wood materials, accessories, colored oils are deficient, and the price increases suddenly, while woodchip and pellets prices decrease strongly.

Besides, the lack of sea freight ships and containers, and the prices of sea freight rates increase strongly lead to the fracture of the input and output chain of the enterprises.

Wood materials imported from key suppliers are facing many difficulties, such as lack of supply or disruption of supply chains, then pushing raw material prices. This situation affects many new seasonal orders. In addition,

Accessories and Supplies Group, such as screws, PT, sliders, chemicals, and packages have just increased prices and scarcity.

Therefore, the Vietnam Wood and Forest Products Association and the Community of the Enterprise of Processing and Exporting Wood will coordinate with the authorities to minimize risks in the supply of wood materials and avoid trade cheats. Vietnam Wood and Forest Products Association also petitioned the authorities to review the high-risk FDI investment for the community of Vietnamese wood processing and exporting enterprises.

In addition, with changes in the application of technology into processing and exporting wood, Vietnamese wood processing enterprises in the coming time will also quickly change the method of production, packaging, and delivery for customers to be the most favorable, drawing experience from response to Covid-19 pandemic in recent times.

The closure of bulky goods, taking the container area, increasing the shipping fee will be replaced by closing each part. This would be flexible in response to the situation of increasing freight or the condition of lacking empty containers for freight delivery to international importers.

3. Solutions to promote the export of wood and wood products of Vietnam in the COVID 19 pandemic

Vietnam is a country of humid tropical climate, suitable for developing afforestation and building sources of rich raw materials. Over many thousand years, producing traditional handicraft furniture has developed. However, accompanied by outstanding advantages to help produce and export wood and wood products of Vietnam grew well in the past years, some limitations need to be overcome, focusing on human resource preparation stages, infrastructure investment, modern production facilities, raw materials, and product designs. To promote the export of wood and wood products to the FTA's market, in the coming time, Vietnam needs to focus on completing some urgent policies.

Firstly, in terms of preparing materials, the State should have a special policy for enterprises to receive land for afforestation, then develop the source of raw materials quickly and sustainably. Because raw material forest requires lots of time to grow, it is necessary to have a long-term investment promotion strategy. In particular, the State needs to calculate scientifically, complete forecasts for detailed demand of materials, and plan to develop material areas with different categories to meet demand. It is necessary to have specific policies in growing afforestation, exploiting, and limiting the lowest exports of rough wood. Besides, the State needs to attach importance to imported raw materials because this is an important part of Vietnam's export of wood products. Therefore, the government needs to create the most favorable conditions to import and supply wood materials, meet the quantity, quality and time with competitive prices. In particular, a necessary solution is to build a portal of wood materials so that businesses can refer proactively in importing and avoiding raw material inventory storage for a long time.

Secondly, on the group of solutions to prepare human resources. According to the fact, Vietnamese workers, particularly workers' qualifications in the wood industry are still low. They still focus more on traditional products and are limited in creating modern designs suitable for the culture and lifestyle of many countries over the world. Specifically, most Vietnamese enterprises mainly produce

products according to the orders but have not created new designs to meet export requirements to countries. So, it is necessary to implement training programs and improve skills. The State needs to study to improve the policy of training skilled workers towards investing more technology machinery to meet business needs.

Regarding the investment group of vehicles and technology, according to the fact, the number of FDI enterprises that produce and export wood and wood products are less than domestic enterprises many times, but their export values are higher. This is because these enterprises have good production technology, then they can attract customers and have a consumer market. Characteristics of wood and wood products also require strong development of auxiliary industries, especially materials and accessories such as glue, paint, leather, plastic, and accessories from the mechanical industry. In particular, the wood industry also needs design graphics to produce new designs. Therefore, due to the limitations of the auxiliary industry and the graphic design industry in the wood industry, it is rare to create new products and aesthetics and only manufacture according to orders. This is a significant barrier that makes the collection of foreign currency from producing and exporting wood and wood products without breakthroughs.

The solution for the export policy mechanism is also considerable. Accordingly, the State needs to improve the tax policy and support and encourage exports policies, such as credit policies and investment facilitating export enterprises. The most needed to focus on studying costs and market participation time for manufacturing and trading investors.

Regarding trade promotion policy, it is necessary to have wood products exhibitions and fair centers with worthy scales to converge and promote trade. The State needs to build a trade promotion program, expand international cooperation to access modern technology, research and evaluate wood market trends, seek partners towards maximum support for enterprises participating in international and domestic wood trade forums. In other words, besides researching to expand the market, it is necessary to maintain and develop traditional markets (both the transshipment market and direct consumer market), and by doing that, the prestige and quality of Vietnam export wood products will fast access consumers.

Regarding the policy group to complete export policies, we need to continue to promote the simplification of administrative procedures, at the same time strictly controlling from the draft relevant legal documents, ensuring publicly and promptly public new administrative procedures, creating more favorable conditions for people and organizations in accessing and implementing these procedures. It is necessary to respect promoting the development of logistics services for export through completing policy to enhance investment attraction in Logistics infrastructure, focusing on improving logistics infrastructure associated with e-commerce catches with the development of the region and the world. Besides, we need to focus on calling for construction investment in Type I Logistics Centers in Hanoi, Ho Chi Minh City, connecting Vietnam to international and Type II Logistics Centers in Lang Son, Lao Cai, Hai Phong, Da Nang, Quy Nhon, Can Tho to connect to key economic sectors of Vietnam.

The final is the group of solutions to strengthen the anti-fraud measures of origin to protect Vietnam's export wood

industry from the risks of lawsuits. State authorities need to strengthen post-inspection activities at the C/O issuing organization and enterprises applying for C/O, towards taking advantage of new generation FTA incentives, especially in rules of origin, and how to meet the rules of origin. Enterprises also need to have a plan to deal with trade defense lawsuits through strengthening early warning mechanisms, propaganda, dissemination, and guidance on enterprises how to respond to foreign laws to limit harms from the investigation phase to minimize the adverse impact on enterprises, guide and accompany businesses in struggling and initiating lawsuits to Agency for Dispute Resolution.

The export of wood and wood products is one of the strategic directions to develop the country's economy, especially creating jobs and income for rural and mountainous areas. Therefore, it is necessary to have thorough research and investments towards comprehensive development. By doing that, we could produce modern and diverse products meeting the demand of many countries. If we do better and invest in-depth, definitely in the future, the revenue and growth rate of wood and wood products will not stop at the 6th ranking in 8 high-value export items of Vietnam.

4. Conclusion

Despite the context of a seriously complex pandemic affecting many industries in the economy, Vietnam's wood export market still has achieved growth. The growing competitive pressure accompanied by the investment of foreign companies has contributed to increasing the export value of the Vietnam wood industry. Besides, a series of signed free trade agreements such as CPTPP, EVFTA gives more opportunities for wood enterprises to participate in export activities.

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