

# ENHANCING COMPETITIVENESS OF WOOD PRODUCTS

<sup>1</sup>Ngo Cao Hoai Linh

**Abstract**—over the past two decades, the economy of Vietnam has many important advances, especially the large and deep integration into the world economy has brought Vietnam becoming countries with market economies that are internationally recognized. After eleven countries signed the landmark Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) in Santiago, Chile on March 8, 2018. By this Agreement, Vietnam has entered a "large playground" with many higher opening commitments in all social-economic sectors, CPTPP will bring many opportunities and challenges to all sectors, especially the wood industry's exports Vietnam which has one of the ten sectors had the largest export value.

**Keywords**— Wood Products Export, CPTPP, Competitiveness.

---

## I. INTRODUCTION

When the CPTPP is implemented, it will create opportunities and challenges for member economies, with extensive commitment in the CPTPP to many industries affected by the CPTPP, from which businesses in particular and the economy. The economy, in general, must assert itself at home, expanding the international market. Including Vietnam's wood industry, in recent years, exported wooden products have always had an impressive growth rate, wooden products are one of the ten products with the largest export value of Vietnam, thereby demanding Asking timber businesses in particular and timber associations in general need to formulate a specific plan from input materials (origin) which is also a very high commitment of countries when joining CPTPP. The forestry sector has been promoting the planting of raw material forests for the export wood processing industry. For more than a decade, Vietnam's wood processing industry has had a strong development and success. both in terms of many processing facilities, size of processing enterprises, the volume of processed products, and market ng product consumption and exports. Currently, the area of forest planting has only 1.92 million ha, accounting for 53.85% of the planted forest area. Although Vietnam has a lot of potentials for wood materials to be active in the CPTPP playground, Vietnam needs wood material areas for the next 10 years, currently, it still needs to find a market to import wood materials to serve the industry. process. In addition, the credit issue for export wood processing industry needs to be taken into account because the specific feature of this industry is that the contracts are for a period of '4 to 6 months'. Long-term credit financing for the process of purchasing input materials 'quite a long time of about 200 to 300 days'. To meet the diverse needs of the market and the efficiency, the scale requires businesses to have a large inventory to implement their policies.

---

<sup>1</sup> Industrial University of Ho Chi Minh City, Vietnam. Email:ngocaohailinh@iu.edu.vn

## **II. THE ROLE OF EXPORTED WOOD PRODUCTS FOR VIETNAM**

### **Supporting restructure in the direction of industrialization and modernization**

In the process of developing craft villages, wood production and processing activities have played an active role in increasing the proportion of the industry, handicrafts, and services, narrowing the proportion of agriculture and labor transfer. from low-income agricultural production to higher-income non-agricultural occupations. The history of birth and development of this item has changed the rural economic structure of craft villages. This impact has created a diversified rural economy not only for homogenous agriculture but also for handicrafts, commerce, and services, coexisting and developing.

The development of export wooden furniture production is the process of forming and developing wooden establishments and enterprises in suburban rural areas. Through the increase in the number of industrial production establishments, cottage industries, and handicrafts and the process of accumulating and concentrating production as well as through the accumulation of capital of such establishments or the linkage between enterprises. With small-scale enterprises, the development of this industry allows the efficient exploitation and use of existing potentials and advantages in rural areas, contributing to the restructuring of the rural economy in the direction of increasing gradually. the proportion of industry - handicrafts, and services, gradually reducing the proportion of agriculture in the output value structure.

From the perspective of the social division of labor, wooden products have had a positive impact on agricultural production of craft villages. It is effective in the internal restructuring of the agricultural sector, in agriculture to form specialized agricultural areas, creating high labor productivity and many commodity products. This transition is done under the impact of production and market demand.

### **Help create jobs, improve people's lives**

According to data from the Ministry of Agriculture and Rural Development, the wood processing industry currently attracts about 250,000 direct and indirect workers, of which workers with university education account for less than 10%, the number of trained laborers directly account for 45-50%, while the remaining seasonal workers account for 35-40%. However, another 2013 data suggests that the industry employs about 300,000 people [1]. This discrepancy can be explained by the fact that the manufacturing industry has thousands of establishments operating in the form of households and trade villages with a variable labor force involved in the production [2]. The cave is quite large according to the season and it is almost impossible to complete statistics. However, the data is consistent at this point that the manufacturing industry is creating jobs for a significant workforce, especially manual workers, in disadvantaged rural areas. , have a low income. The fluctuations in business activities of this industry can significantly affect the income and social stability of a sensitive population. According to the assessment of the Government agencies, in general, the labor force in the wood processing industry is gradually improving over time through vocational training programs of the Government, enterprises, and employees. The technical cooperation which has been well trained from the University of Agriculture and Forestry is also strengthened.

Currently, the export wood processing industry is a key economic sector of many localities throughout the country such as Ho Chi Minh City, Dong Nai, Binh Duong, Binh Dinh, etc [4]. Particularly in Binh Dinh, it is considered as the center of wood processing industry for export of the whole Central Region - Central Highlands, currently has 180 enterprises and wood processing establishments, creating jobs for over 35,000 laborers, average income 2.8 - 3 million dongs/person/month The value of wood processing industry accounts for over 40% of the province's industrial production

value and accounts for 45% of the provincial export value. In many developed trade villages, income from handicraft production accounts for 70-80% of the total income of the people. Income from furniture making up a large proportion of the village's total income. This activity not only creates a large number of laborers but also creates jobs for idle agricultural laborers after the production season. In many trade villages, the farmers, in the off-season crops or overtime hours, are skillful craftsmen.

Besides, the development of the timber industry has promoted afforestation, millions of poor households in rural and mountainous areas to develop afforestation to increase income, boosting other industries.

### **Help preserve the cultural identity of the nation and promote the traditional beauty**

Vietnamese wooden products in general and exported wooden products in particular, especially handicraft wooden products, are the crystallization of the craftsman's talent and creativity based on the four thousand years of the cultural heritage of the people. Many products have surpassed the value of mere goods and become cultural products, which are a beautiful symbol of the Vietnamese national tradition. Today, modern industrial production is developing strongly, industrial wooden products are used and consumed everywhere. However, we need to create products that are unique and unique with the cultural identity of the nation or each region (such as hand carvings), thereby creating a competitive advantage. of the product "Made in Vietnam". Therefore, promoting the export of wooden handicrafts in particular and other wooden products, in general, will contribute to introduce and promote Vietnamese culture to international friends.

### **Contributing significantly to GDP growth and export turnover**

Wood processing is one of the few industries that is considered to be a successful integration, with its export turnover increasing rapidly and making an important contribution to Vietnam's export performance and establishing a position in the global furniture export. bridge. Specifically, wooden furniture export is currently ranked 6th among the 10 key export industries of Vietnam. On the world level, although there are differences in data from different sources, all show that Vietnam is among the world's largest exporters [1], ranking second to Asia and first. in Southeast Asia. According to data from the Center for Industrial Research (CSIL), Vietnam is the 6th largest exporter of wooden furniture in the world, accounting for over 80% of the total value of products produced by Vietnam's wood processing industry [1].

Main export wooden products of Vietnam include the following groups: Handicrafts; Furniture; Outside; Wood combined with other materials; Artificial boards and wood products from artificial boards; Products from non-timber forest products; woodchips. According to data from the Ministry of Industry and Trade, Vietnam's wooden products have been exported to more than 100 countries and territories, with export growth growing steadily (except 2009 when the demand of world decline due to crisis). According to the Vietnam Association of Wood and Forest Products in 2013, wood and wood bean exports set a record of US \$ 5.5 billion, 7% higher than the plan, and exceeded the target of US \$ 5.4 billion. For the market, in the past year except for exports to Germany fell 16.54%, France fell 3.24% compared to 2012, exports of wood and wood products to major consumer markets. most of them have strong growth. Specifically, the US market increased by 10.26%, China increased by 34.64%, Japan increased by 20.97%, South Korea by 45.23%, and wood and forest product export was one of the sectors with The trade surplus rate is high compared to some other fields (over 3 billion USD, corresponding to 65%). Vietnam has become the 6th country in the world, 2nd in Asia and Southeast Asia in exporting wooden furniture [5]. Along with Vietnam's accession to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), many countries in the TPP such as Japan and Australia ... are the key export markets of Vietnam's timber products. , together with the implementation of CPTPP commitments and reforms, will create a transparent and competitive investment environment, thereby attracting many domestic and foreign

investment sources and Vietnam's wood processing industry [3].

### **Opportunities and challenges for Vietnam's exported wood products after joining the TPP**

Like other businesses in the market economy, enterprises producing and trading in wood and forest products also face challenges and can take advantage of certain opportunities after Vietnam. Join the CPTPP.

#### *Opportunity*

First, creating favorable conditions for Vietnamese enterprises to export timber products, increasing their integration with the world market thanks to the principle of non-discrimination and the policy to reduce tariff barriers and non-tariff barriers. for imported goods. On that basis, businesses will enjoy preferential import duties on member countries' markets, for CPTPP member countries. This is reflected in the continuous growth of export growth during 2007-2015.

Second, immediately after the CPTPP agreement ended, the negotiation, as well as Vietnamese wooden furniture enterprises, were able to reduce the import tax of raw wood materials as well as the export tax of goods and goods to foreign markets. Cost reduction is one of the determinants of business efficiency as well as creating a competitive advantage in the market. A golden opportunity has come to the furniture industry for export. The remaining problem is how to make the most of that advantage.

Third, since the end of the negotiation round of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), businesses will have a favorable opportunity to expand investment cooperation, joint venture, and technology transfer. Capital and technology are still limited issues in the process of planting, exploiting, and processing forest products in general and wood products in particular of Vietnamese enterprises. With a limited amount of capital, The technology is not advanced, so the exploitation and processing activities of Vietnamese enterprises for a long time are still mainly manual crafts), and at the same time take advantage of the available advantages of labor and natural resources. Abundant forests to enhance competitiveness.

Fourth, enterprises can shorten the distance of lagging, take advantage of, and supplement the available advantages among enterprises. Also, in the integration process, Vietnamese enterprises can learn from experience in management and technology acquisition, especially with other small and medium-sized enterprises [4].

Last, the position of enterprises in the world timber and forest product market is improved thanks to the process of multilateralization and diversification of economic relations in the region and the world.

#### *Challenge*

First, weak competitiveness, labor productivity of businesses producing and trading of wood and forest products in Vietnam is low. The process of equitizing state-owned enterprises is still slow, so the capabilities and dynamism of enterprises are generally weak.

Second, there are still many problems in balancing and using capital to invest and reinvest production in Vietnamese enterprises. The investment capital of Vietnamese enterprises is in serious shortage. The working capital of new businesses meets 60% of the demand. Many businesses are afraid to borrow from banks or to mobilize from other sources. On the other hand, the bank's policy on appraising loan capital also reveals many disadvantages when assessing the status and business capacity of the business. These are also the causes of serious loss of the state budget.

Third, the majority of wood and forest product manufacturing and trading enterprises as well as other Vietnamese enterprises have not yet fully prepared for the process of economic integration and have not yet issued.

Forth, The overall ability to consume wood and forest products in the domestic market is small, limiting the stimulation of enterprises to improve production efficiency, reform of commodity structure, and enhance competitiveness. This not

only affects the business environment of domestic enterprises but also reduces the rate of foreign direct investment.

Fifth, The leadership team still has many people who do not have a deep understanding as well as the effects of joining the CPTPP, the opportunities and challenges that CPTPP brings, so the strategic direction for businesses is confusing, not actively take measures to cope with challenges and take advantage of opportunities to join the CPTPP.

Sixth, the level of competition is becoming more fierce due to the weakness of the treatment of forest products, especially Vietnamese wood products, to limit the effects of climate and climate. Low competitiveness, so when joining the CPTPP, businesses face many competitors from member countries with more developed economies, with higher technical qualifications.

Seventh, a richer and more diverse business environment requires businesses not only to have a team of highly qualified staff, have international business experience but also must have a good command of a foreign language to speak. advantages of CPTPP advantages.

Eighth, when exporting wooden products to international markets, especially key markets such as the US, Japan, and the EU, one of the biggest challenges for Vietnam's exported wood products is to overcome the Technical barriers in these markets. For example, for Vietnamese wood products to enter the demanding EU market, businesses are required to meet the conditions of the Reach Chemical Law with methods to assess the hazard of substances, which are applied in all 28 EU countries. Besides, businesses are forced to label FSC (Forest Management Council). This is a certification system for the traceability of goods.

### III. CONCLUSION

Vietnam is currently negotiating many free trade agreements (FTAs) with major partners such as CPTPP with 10 partners including Vietnam - EU FTA, Vietnam FTA - Russia - Belarus - Kazakhstan Customs Union ... When these agreements are implemented, Vietnam's wood export will have a great opportunity when tax rates fall, the ability to apply artificial wood if expanded requires Vietnam to be proactive in raw materials sources. Producing exported furniture with domestic origin instead of importing from other markets. Vietnam's wood industry is in a period of deep integration with the international market, Vietnam's wood products are present in many countries and territories around the world.

### REFERENCES

- [1]. [www.mutrap.org.vn](http://www.mutrap.org.vn)
- [2]. [www.trungtamwto.vn](http://www.trungtamwto.vn)
- [3]. [www.english.vietnamnet.vn](http://www.english.vietnamnet.vn)
- [4]. [www.rsis.edu.sg](http://www.rsis.edu.sg)
- [5]. Ministry of Foreign Affairs of Vietnam (2017). *World economic situation and prospects* (Vietnamese).
- [6]. IMF (2017). World Economic Outlook update, July 2017: A firming recovery.
- [7]. IMF (2017). World Economic Outlook. October 2017. Seeking Sustainable Growth: Short-term Recovery, Long-term Challenges.
- [8]. OECD (2017). Global Economic Outlook, Jun 2017. <http://www.oecd.org/eco/economicoutlook.htm> accessed on 19 September 2017.
- [9]. NIESR (2017). Global Economic Forecast. National Institute Economic Review no. 241 August 2017.
- [10]. UNCTAD (2017). World Investment Report 2017: Investment and the Digital Economy. United Nations

Publication, Geneva: United Nation.

[11]. General Department of Customs (2017), Vietnam's import and export of goods in August and the first 8 months (Vietnamese).

[12]. UN (2017). World Economic Situation and Prospects 2018. [https://www.un.org/development/desa/dpad/wp-content/uploads/sites/45/publication/WESP2018\\_Full\\_Web-1.pdf](https://www.un.org/development/desa/dpad/wp-content/uploads/sites/45/publication/WESP2018_Full_Web-1.pdf).

[13]. WTO (2017). Monthly world trade data. Retrieved from:  
[https://http://www.wto.org/english/res\\_e/statis\\_e/short\\_term\\_stats\\_e.htm](https://http://www.wto.org/english/res_e/statis_e/short_term_stats_e.htm)

[14]. WTO (2017). Report to the TPRB from the Director-General on Trade-Related Developments Geneva World Trade Organization.

[15]. WTO (2017). World Trade Outlook Indicator. Geneva The World Trade Organization