ASIA PRO ECO PROGRAM

Study on the Impacts of Market and Investment Liberalization on Vietnam's Pulp and Plantations Sector, with Particular Reference to China

Vietnam report

Alain Karsenty

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(CIRAD)

ISBN 979-24-4678-8

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This document has been produced with the financial assistance of European Community through Asia Pro Eco Programme. The views expressed herein are those of the authors and can therefore in no way be taken to reflect the official opinion of the European Commission.

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STUDY ON THE IMPACTS OF MARKET AND INVESTMENT LIBERALIZATION ON VIETNAM'S PULP AND PLANTATIONS SECTOR, WITH PARTICULAR REFERENCE TO CHINA

Context of the mission:

The mission took place between October 25 and November 14, 2004, in Vietnam. Most of the work has been done in Hanoi, with a 3-day field trip in a radius of 150 km in the North of Hanoi.

Policies adopted to promote FDI

Since the end of the 80's, attracting Foreign Direct Investment (FDI) has been a strategic priority in Vietnam. A Law on Forest Investment was promulgated in 1987, and had been revised several times between 1990 and 2003. Many obstacles for FDI have been removed: currency balancing regulations has been relaxed, more freedom has been ceded to change investment forms, reorganize enterprises and transfer capital. The possibility to carry forward losses has been allowed for a wider range of foreign-invested enterprises (FIE), worker recruitment has become freer, the responsibility for compensation and land-clearance has shifted from the foreign partner to the Vietnamese side, and FIE have been allowed to mortgage their land use rights (under Red Books) to borrow from credit organizations (Leproux and Brooks, 2003).

Currently, many FIE can hire workers directly without the involvement of employment centres, and FIE can set-up export-oriented enterprises through simple registration without waiting for discretionary approvals. The creation of special industrial zone with facilities for FIE to re-export their production has been cited as a significant incentive for FDI attraction.

Fiscal incentives to FDI

One very important move has been the decentralization of FDI approval and regulations to provincial levels. For example, tax rates across all ownership has been standard since 1999; before that, there was a differentiation between the State and the non-State sector. After the Tax Laws of 1999, the corporate income tax (CIT) was 32% for domestic firms, 25% for foreign enterprises and the VAT was 10%. Recently, Vietnam's National Assembly unified corporate taxes: domestic and foreign enterprises pay a unified corporate tax of 28%. Provinces have the latitude to modulate the CIT to give foreign investors lower rates (figures of 25, 15 and 10% have been given in Ha Tinh Province). Another incentive is exemption or reduction of land rent decided at the provincial level. For instance, the VIJACHIP Ha Tinh Province (North-Central Vietnam) said they easily got leased land, thanks to their relationship with local authorities.

Since 2001, fiscal regime is even more attractive for enterprises located in Industrial Zones (IZ):

Table 1. Fiscal incentives for enterprises located in Industrial Zones

	Export less than 30%	30 to 50%	50 to 80%	More than 80%
Corporate tax	20%	15%	10%	10% (from the 9th year only)
Exemption period	1 year	2 years*	4 years*	4 years*
Tax cut	50% for 2 years	50% for 3 years	50% for 4 years	50% for 4 years

* from the first profitable year
Profit transfers abroad are subject to a levy of 3%

There is another category of special zone, the Export Production Zone (EPZ). In this zone, 100% of the production must be exported. Import and export taxes are zero. Enterprises are free to supply the local market, but these goods are considered as exports (for wood chips, 5% the export tax has been removed in 2001). The fiscal regime is the same than in IZ (4th column). Many industrial IZ and EPZ have set up a "one-door" mechanism to simplify procedures for registering and exporting.

Several wood chip producers and exporters – such as VIJACHIP in Ha Tinh and in Quy Nhan – are located in these Export Production Zones or in Industrial Zones.

Relevant restrictions still affects, the regulations on stake and legal capital in Joint-Ventures (JVs) and 100% FIE. Legal capital must be at least 30% of total capital invested (capital invested + loans). In some special cases it can be reduced to 20%, but we do not know to what extent forestry sector is concerned. Some observers also point out the high cost of doing business in Vietnam, due to costs such as international phone calls and, moreover from an export perspective, seaport costs.

What comes also recurrently and is cited as an obstacle is the land issue. There is an obligation for foreign investors to rent land on which the enterprise wish to establish, or to reach an agreement with a Vietnamese partner who holds the land. The ownership of land is still not possible to foreign investors. According to different sources, there is a relative insecurity of land agreement with an unbalance between the holder and the enterprise about the duration of rent agreements.

Example of set of incentives provided by local authorities to attract FDI

Investment projects in Phu Bai Industrial Zone will enjoy the following privileges:

- Cost of renting the land with the infrastructure thereon: 0.32 USD/m^2/year.
- To be exempted from cost of renting the land with the infrastructure thereon within 10 years as from the date of renting the land (calculated at the approved technical design).
- To be re-supported by the Provincial budget with paid 100% corporate income tax (which the provincial budget enjoys) within 5 years to supplement working capital.
- Investors are supported at maximum 30% training expenses to raise the first professional skill or to be re-trained when changing technology lines for direct production workers at domestic vocational training centres.

- Foreign-invested projects in Phu Bai IZ enjoy the tax rate 10% of the privileged corporate income tax through the time of implementing the projects and are exempted from the above rate within the first four years as from the business of getting profit and reduced within next four years.
- Foreign-invested projects are exempted from import duties for imported goods to create fixed assets: Machine and equipment, specific means of transport in technology lines and means of transport to meet and see off workers (automobiles with more than 24 seats, water means of conveyance), construction materials domestically not produced.
- Foreign-invested projects are exempted from import duties for production materials within five years as from the date of starting production;
- Foreign-invested projects only pay the tax of transferring profits abroad at the rate of 3%

Likely impacts of Vietnam integration in free-trade areas

The impact of AFTA's Vietnam adhesion

Until recently, studies on trade policy underlined a systematic bias in favor of import substitution against exports. High import tariffs on several products (such as paper) makes production for the domestic market more profitable than for the export market, allowing domestic sales at prices higher than world prices, raising prices of goods and making exports less competitive. As a consequence, it was suggested that investments were done in sectors where does not have "comparative advantage".

This assessment is becoming less and less relevant, as Vietnam is on the way of reducing tariffs as a consequences of its adhesion to the ASEAN Free Trade Area (AFTA) established in July 1992. According to the agreement on the Common Effective Preferential Tariff (CEPT), AFTA accession requires that tariffs trade levied on a large range of goods traded within the region be reduced to not more than 5%. Vietnam signed on to the CEPT scheme in 1995 when it committed itself to the region's biggest organization, ASEAN. Under the CEPT agreement, Vietnam would implement AFTA, reducing tariffs on imported products from 30-50% – 100% on some items – to less than 5% by 2006. Before undergoing tariff reductions, the paper industry was well protected by government policies with tariffs of 40% on paper imported from ASEAN countries. Since July 1, 2003, the rates have been reduced to 20%, making the already cheaper ASEAN paper much cheaper than domestic products. In 2006, tariff on paper imported should be reduced to 5%.

Besides tariffs, quantitative restrictions were in force for products such as paper until 2003, but have been removed since then.

According to analysis presented in Vietnamese economic circles, at current prices, Vietnam paper costs $877/T against $822–842/T for ASEAN paper imported (20% tariff and charges included). The paper produced by Vietnam mills is still not competitive at economic (world) prices: $685/T for ASEAN paper (economic price) imported in Vietnam. Current rate of effective protection (linked to difference in tariffs on inputs – pulp – and paper) might be around 30-40%, in average.

But Bai Bang mill produces at $764/T. Assuming a $685/T of ASEAN imported papers (economic price) and adding a 5% tariff (the rate accepted by Vietnam under CPET from 2006), the market price of ASEAN paper could be $720 per ton. Thus, paper produced by Bai Bang factory, considered as the most efficient unit in Vietnam, would be priced $40 - 45 above the ASEAN imported paper (mainly paper from Indonesia).

No information was available on the anticipated potential impacts of Vietnam adhesion to WTO, but one could guess AFTA, in which low-cost producers such as Indonesia are already in, concentrate all the trends that could be expected under trade liberalization.

Government response endeavors

Vietnamese Government and economic circles are fully aware of the situation, and are willing to increase Bai Bang production capacities to 250 000 T of pulp ($250 million investment) and to 100 000 T of writing and printing paper, in order to make new scale economies. But the situation seems critical for other, less capitalized, units.
Main weaknesses mentioned are:

- outdated equipment, lowest quality, small-scale units (473 in paper business, including 441 non-State)
- 30 000 workers, but lack of high-skilled

Upgrading paper and pulp sector would require $1 billion funding (Vietnam Paper Corporation, VPC[1]).

By the end of 2004, the Minister of Industry and Vietnam Paper Association (VPA) declared that Vietnamese paper enterprises have not prepared well for its production and trading in the coming integration. They will face challenges if they do not restructure their production. VPA recommended paper enterprises to stop investment in production of paper but invest more in manufacture of paper powder as well as improve skills of workers and apply high technology. Wood chip has not been mentioned, but one could considers that it could be seen as a possible outlet for units that would not be able to sell paper above their production cost without tariff protection anymore. According to the recent report of the Ministry of Industry, there are many investments in medium/low quality paper manufacturing projects. All equipments are the second-hand ones. The capacity of such project is only about 10 000 MT/year each plant. The reason of this investment trend is the high demand of low quality packaging paper. Raw materials is the recycled paper or wastes. There is also a rational in investment in these kind of "niches", as it is not affected by competition from outside.

The impact of integration in AFTA is already tangible on the pulp and paper structure: the Kon Tum pulp mill, planned to produce 130 000 T has been cancelled (after 5 years of project implementation), due to inefficiency. And the Tanh Hoa paper and pulp mill, planned to produce 50 000 T of pulp per year and 60 000 T of paper is delayed, and might be actually cancelled[2], as is the Bac Kan (50 000 T pulp/year planned) which is said "delayed" or "postponed". As Vietnamese population growth and average individual consumption of paper is still below the regional level (at 13.7 kg per year), paper imports continue to climb (increased by 9% in the first half of 2003).

VINAPIMEX is lobbying for an increase in pulp production, to decrease the reliance on pulp imports and, in a second step, to meet the domestic demand of paper. One could guess that VINAPIMEX might have some support from the Government, as it seems the debate between advocates of import-substitution, on one hand, and those who are convinced that free-trade will provide much benefits to Vietnam than industry protection is not closed. What is also at stake is the institutional structure under which the pulp and paper industry will be ruled in the future. A restructuring of the industry is on track, and one could expect a concentration of pulp and paper industry to create a handful of units close to what is considered as critical size in the international market (500 000 T/year of pulp, according to ADB report). Would it be under the auspices of the State-owned VINAPIMEX or under Foreign-Invested companies?

The Wood chip production and exports environment

A production structure dominated by Japanese interests

According to the ADB 2000 report, there were nine plants of wood chip production in 2000, with an aggregated production capacity of 400 000 Bone Dried Tons (BDT) of chips. According to the report, these units were competitive on export markets inasmuch the wood collection does not exceed 200 km around the plant location.

A USDA report of 2002 mentioned the figure of 16 wood chip plants throughout the country. In its 2003 report, K. Barney listed 11 units. According to information collected late 2004, this number has not change from then – as VIJACHIP Cai Lan, which is producing since March 2004, was already listed.

VIJACHIP (Vietnam – Japan Chip Corporation) is the main producer of wood chips established in Vietnam. It is a Joint Venture (JV) between the Japanese NISSHO IWAI (now SOJITZ Corporation) and the VINAFOR, a State-owned company.

The enterprises are:

- VIJACHIP Da Nang, established since 1994, currently producing about 140 000 BDT. The plant operates a total area of 20 000 ha of plantation and complements its supply with small-farmers production. Nissho Iwai owns 60% of shares in Vijachip Da Nang, and Vinafor the remaining. The unit produces chips for export only, to Japan.
- VIJACHIP Cai Lan, in Ha Long City, open since March 2004. In that JV still with Vinafor, Sojitz holds a 51% stake in the $1.5 million initial investment. The plant is estimated having a 300 000 BDT wood chip capacity.
- VIJACHIP Vung Ang (Ha Tinh Province), JV between Nissho Iwai (Sojitz) and Vinafor, is established since 2001. VIJACHIP VA has a capital of US$ 1.5 million, with 60% from Nissho Iwai and 40% for Vinafor. The company's annual processing capacity is 300 000 tons, and expected sales are $12 million. VIJACHIP VA will export plantation wood chip to Japan, providing its total output to Japanese Oji Paper.
- The shareholding of QPFL is slightly different (Quy Nhon Plantation Forest Ltd). This JV is a joint investment between Japanese Oji Paper (51%), Nissho Iwai (now Sojitz) (39%) and Dai Nippon Printing (10%). QPFL is associated (55% investment) in a JV named Binh Dinh Chip Corporation (BDC) with QNVC (Quy Nhon Wood Corporation), a Vietnamese company (JV with Pisico and Vyfaco) having invested 45% in that JV. The production capacity of BDC is 120 000 BDT per year, a production earmarked for Oji Paper, as the ownership of the woodchip production remains to QPFL (Barney, 2003), i.e. to Japanese interests.

QPFL have been granted with 10 000 ha leased from local authorities. The fee paid is calculated on the basis on the annual area harvested (AAH) x $10, plus a unit land fee fixed at $1 per ha for the full area planted.

SOJITZ aims to increase its production capacities in these JVs by 50% to about 900 000 tons per year. The wood chips are exported to Japanese paper manufacturers, including Oji Paper Co. The Japanese company plans to invest 300 million Yen per year to plant acacia tress on 3 000 ha each year, in order to reach the target of 21 000 ha planted within 7 years, to cover two thirds of the raw material need for its wood chip production.

Besides VIJACHIP enterprises, Barney (2003) mentions QNWC, the Vietnamese associate of BDC JV, which operate its own wood chip plant (said somewhat outdated) of the same capacity as BDC. In 2003, QNWC exported woodchip for about 50-60 000 BDT for Japanese and Taiwanese market.

Barney (2003) estimates that Bin Dinh port would be able to export up to 140 – 160 000 BDT when acacias hybrid plantations planted by QPFL (the JV dominated by Japanese interests) will come on line.

Other wood chip facilities

- CAT PHU/ C&P PLANT WOOD CHIP Company, in Nha Trang City (Khan Hoa Province)
  According to Barney (2003), C&P is a small wood chip producer, probably part of the Vietnam-Taiwan (VITAICO) Corporation. The production capacity is around 70 000 BDT/year, but the enterprise seems to face some difficulties with log supply (2002 production: 48 000 T). All the production is exported. Barney guess that Japan and Oji Paper is the final destination. The company seems not having its own plantations, and buy wood to small-farmers and SFEs.
- SANRIMJOHAP VINA Co.
  This company started in 1994, as a JV between Vietnam and Korea. The production capacity of the plant is up to 50 000 BDT/year. In 2003, the company supplied 50% of logs from outside-sources, and planned to reach about 70-80% of the production coming from its own plantations in 2004. All exports are targeted to Korea, but Japan is viewed as an additional potential outlet. The company experienced wood shortage.
- VITAICO (Vietnam-Taiwan Corporation), is said to have three to four plants from North to South (including perhaps the C&P mentioned above), including Haitaico (Haiphong), and another plant is under construction in Hue. VITAICO enterprises seem to face serious wood supply shortage.
- SFR (Vietnam) is a JV between Hong Kong interests and Vietnam. SFR HQs are in Saigon, and the plant is located in Phu Dong, in Dong Nai province. Production capacity could be around 120 000 BFT/year. SFR exports all its production to Japan. It sources most of its log supply outside, from small-scale farmers through brokers in a radius of approximately 200 km from the plant.

Prices

According to Barney (2003), the FOB price paid by Japanese buyers for BDT of wood chip is $70-80, meanwhile Chinese buyers are said to buy at $60 to 65. As the Chinese Yuan has lost 13% against the Yen between early 2003 and 2005, it could be suggested that this difference might still be in force, even though one could assume that both Japanese and Chinese prices have raised, following other international wood chip prices (see below). Thus, Vietnamese exports are mainly going to Japan (approximately 540 000 BDT in 2003).

In comparison, Australian wood chip made from eucalyptus was quoted around $80 to $100 in 2003 (FOB prices at Australian ports), but with a sharp increase in 2004 with FOB price up to $130, when in the meantime Chile, South-Africa and the US experienced FOB prices at $100 (source: Wood Resources International, 2004).

Production costs for BDT wood chip were quoted at $77 in 1999 by the ADB study, and between $50 to 60 by Barney's interviewees.

Statistics

It has not been possible to get recent statistics on woodchips production and exports in Vietnam. The statistics presented below are these from FAO, and are of 2002 (2003 figures are the reproduction of the 2002 ones).

Table 2. Wood chip production and exports in Vietnam

Vietnam		2002	2003
Chips and Particles	Production	1 683 000	1 683 000
	Exports (m^3)	804 000	804 000
	Exports – thousands $	45 233	45 233

Woodchip and Particles exported by destination

Year: 2002		M^3	$ (thousands)
Vietnam exports to	China	38	8
to	Japan	758 136	42 679
to	Korea, Republic of	45 826	2 546
to	Others (adjustment by FAO)	0	0
	Total	804 000	45 233

The International Trade Center (Geneva), gives figures of the value of the "woodchip and wastes" exports up to 2002 that does not match with the FAO figures:

Table 3. Wood chip and waste exports: 1999-2002

Woodchip and waste exports	1999	2000	2001	2002
Value (thousand $)	69	10 286	27 464	27 233

Institutional issues

Institutional arrangements for production

As noticed by Barney (2003), there are two ways for securing plantation in Vietnam.

- The first one is to rent directly the land to the Vietnamese local authorities. This is the case, for instance, of QPFL. The plantation and the harvest is done through sub-contractors who manage the plantation area. And, in the case of QPFL, Vietnamese authorities tend to allocate poor quality areas for plantations, with potential disputes with local farmers.
- The second one is to make a JV with a State Forest Enterprise (SFE), which will provide the land and hold the responsibility for the plantation – or will sub-contract with farmers to get additional logs, as we have seen during our field trip, and brokers play a significant role as go-betweens in the process. This arrangement is by far the easier for foreign investors, despite the relative inefficiency of SFEs. As far as the rural land would remain not alienable, this arrangement will be the most used for plantations development in Vietnam.

However, some difficulties are foreseen for log supply to some wood chip plants which do not get their own plantation to produce log. In Southern Vietnam, farmers are said to be looking for alternatives to fast growing tree species which generate more incomes.

The issue of state-owned enterprises (SOEs)

SOEs have been unavoidable partners for past investments in Vietnam. Foreign enterprises had an incentive to choose SOEs as partners in establishing Joint-Ventures (JVs) in order to achieve administrative and bureaucratic advantages. Local firms were discriminated in that regard. For instance, regarding the land use rights, SOEs were allowed to consider them as equity in JVs with foreign investors, not the local firms.

SOEs are notoriously inefficient and loss-making. But an important move, in terms of institutional arrangements, has been the "new incentive structure" for SOEs. The State Forest Entreprises (SFEs) managers met during the field trip in Phu-Tau region, were "waiting for privatisation". However, the privatisation process seems to be on track for internal working arrangements. Wages of workers harvesting logs in company land-owned forest, are no more based on fixed salary – as it was the case before 2000 or 2001, but currently all their salaries are piecework ("if they do not work, they are not paid; as manager my responsibility is to provide them with job everyday"). And seemingly, this institutional arrangement seems to work (no figure of increase in productivity has been given, however), despite it could be considered as paradoxical after several decades of socialist-oriented government. Nevertheless, the Director of one of the visited SFE confessed that cost norms and management rules were still issues not well addressed in the enterprise to improve its efficiency.

Another new institutional arrangement worth to notice is the change in hierarchical position. In the region we enquired, we visited a SFE which was under the authority of VINAFOR (the raw material company). Since recently, the SFE is under the hierarchical dependence of the Bai Bang pulp an paper factory. Meetings are organized each month between SFE management and Bai Bang staff to discuss of the prices (wood is sold at market price), of the supply constraint, etc.

SFEs represent 3.7 million ha of productive forest, with 3.2 million ha of natural forest and 387 000 ha of production plantations. Households are said to control 634 000 ha of forest plantations. The bigger SFEs are controlling forest area of 10 000 ha or more. Recently, these SFEs has been pooled in 15 Forest Production Unions.

Land tenure issue and incentives to farmers

About 80% of the Vietnamese populations is living in rural areas. The plots are very small: 0.18 ha per farmer for agricultural production, and the government targets to increase plots sizes. In the highlands, forestry is promoted.

One of the major changes to secure the land tenure is the Book system, which has been applied since the beginning of the 90's. Agriculture lands (and productive forests) used by farmers can be granted by Red Books, giving them exclusive use rights for a 20-year period, and this Red Book can be used as collateral for credit and mortgage. There are also Green Books with 50-year rights, but only for conservation forest. Transferability of these rights is allowed, but only between farmers in direct use of the fields. However, such a clause is bypassed as urban buyers can easily find some farmers to lend their name, and concentrate in their hands large amount of land.

There are few incentives for forestry-making, except a 50 000 VD ($3.5) per ha for protection forests. The real "incentive" is that for being granted with a Red or a Green Book, farmers must participate to the programs carried out by State Forestry Programmes.

Forestry does represent, however, a realistic option in degraded areas, hills and many uplands, and seems considered as so by peasants. Farmers in the Phu Tau region (around 120 km from Hanoi) were mixing fast growing trees (eucalyptus and acacias) and crops (tea in the uplands). Rotations are very short: 3 years for the eucalyptus, the species farmers seems to prefer due to this characteristic. Trees for wood chip making

are harvested below 6 cm of diameter. Plantations are very tight: about 1 000 stumps per ha (6 cm diameter). Trees are sold to brokers for an average price of 200 000 VD ($14-15) for wood destined for Bai Bang pulp factory.

Likely impact on natural forests

Information collected in Vietnam is not sufficient to provide a wise judgement on that issue. If the pulp and paper industry would be able to growth according to government plans, an increase of the pressure on natural forests would be likely. But our conclusions challenge this assumption, as we show that the pulp and paper industry will not develop according to officials plans (many plants could not compete with imported paper and pulp after the removal of protection entailed by free-trade agreements, and transportation costs limits the "profitability perimeter" around the remaining large-scale units).

Conclusion

Vietnam's adhesion to AFTA – and further to WTO – has a considerable impact on Vietnam pulp and paper industry. Numerous medium scale paper producers, operating with outdated equipments and making lower quality than ASEAN paper imported in Vietnam, will face severe difficulties to remain profitable as the price competition on paper will be severe. As the scope for decreasing production costs (trough roads improvements and large-scale plantations) is narrow (see JM Roda's report), it is likely that most of these units will exit from the paper business quite soon. This process is already on track, with the cancellation of pulp and paper facilities under construction. Bai Bang factory make endeavours to reach a critical size in order to be able to compete in the new context.

Clearly, the Government's master plan to have production units spread throughout the country, in order to provide employment and revenues in different provinces, is challenged by Vietnam's self-commitment in a free-trade area such as AFTA. One could assume that the future of the pulp and paper in Vietnam will be with a handful of large units, i.e. one in the North, one or two in the Centre (Da Nang) and one in the South. But this scenario itself is questionable, as the profitability of these units is unlikely when raw material is gathered beyond $7 per ton, corresponding to about 150 – 200 km radius around the plant with the current infrastructure conditions (see Roda's report). Given the land tenure constraints and the rural structure of Vietnam, there are only few opportunities for large-scale plantations of fast-growing trees, and sufficient supply of pulp plants might be difficult. One way of increasing the "profitability perimeter" of raw materiel gathering would be to enhance the secondary road network shape (see JM Roda's report). But it does not appear being a short-term priority for Vietnamese Government.

Could the wood chip production be a profitable specialization, and does Vietnam have a comparative advantage in wood chip exports? Apparently, wood chip production for export seems to be a profitable business at present time: Vietnamese FOB prices are lower than Australian hardwood ones, and the free-trade agreements does not affect this almost-primary production (first stage of transformation). The potential closure or re-orientation toward wood chips of some pulp & paper enterprises which are becoming non profitable could boost wood chip exports of Vietnam. Japanese investors have utilized the numerous incentives provided by Vietnamese authorities to promote export-oriented foreign direct investments (special zones with fiscal advantages) and have reached agreements – through Joint Ventures – with State Forest Enterprises and adopted new working regulations (piecework in some of them) compensating somewhat their global inefficiency. Japanese's Sojitz ambition to produce and export 900 000 BDT of wood chips to Japan in the coming years through four subsidiaries set up in Vietnam seems not beyond reach. But the scope of development is, however, limited by the issue of "profitability perimeter" for the logs as raw material for wood chips.

China, so far, is not a significant wood chip buyer in Vietnam. The difference of buying prices that both Japanese and Chinese can afford is certainly the basic reason for such a situation. Can Chinese buyers propose higher prices in the future? For the present time, Yuan is tied to US$, and both declines against the Yen, thus the situation is not favourable. Another difficulty could be the precedence of Japanese interests in the Vietnamese wood chip business: there is no room for a large development of wood chip production capacities, due to reasons already mentioned. But with China, economic forecasts used to turn out wrong.

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Endnotes

[1] The largest producer of paper products is the state-owned VINAPIMEX (Vietnam Paper Corporation), which holds 80 percent of the country's paper production capacity.

[2] Despite the fact that site clearance-ground leveling plans and technical design has been completed, commercial banks do not want to provide credit for the project ($10 million requested) because they think that it will have "low efficiency in capital recovery". The project remained paper on the drawing board by the end of 2004, waiting for a Govt decision about mandate loans for it. But according to information issued in 2005, the project has been simply cancelled.

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CIFOR receives its major funding from governments, international development organizations, private foundations and regional organizations. In 2005, CIFOR received financial support from Australia, Asian Development Bank (ADB), Belgium, Brazil, Canada, China, Centre de coopération internationale en recherche agronomique pour le développement (CIRAD), Cordaid, Conservation International Foundation (CIF), European Commission, Finland, Food and Agriculture Organization of the United Nations (FAO), Ford Foundation, France, German Agency for Technical Cooperation (GTZ), German Federal Ministry for Economic Cooperation and Development (BMZ), Indonesia, International Development Research Centre (IDRC), International Fund for Agricultural Development (IFAD), International Tropical Timber Organization (ITTO), Israel, Italy, The World Conservation Union (IUCN), Japan, Korea, Netherlands, Norway, Netherlands Development Organization, Overseas Development Institute (ODI), Peruvian Secretariat for International Cooperation (RSCI), Philippines, Spain, Sweden, Swedish University of Agricultural Sciences (SLU), Switzerland, Swiss Agency for the Environment, Forests and Landscape, The Overbrook Foundation, The Nature Conservancy (TNC), Tropical Forest Foundation, Tropenbos International, United States, United Kingdom, United Nations Environment Programme (UNEP), World Bank, World Resources Institute (WRI) and World Wide Fund for Nature (WWF).

ISBN 979-24-4678-8