Eastin, Ivan; University of Michigan
ieastin@umich.edu
Authors: Ivan Eastin* and Benjamin Roe

Title: The Influence of Timber Legality Regulations on Chinese and Vietnamese Wood Products Manufacturers

Reports that a substantial proportion of the wood raw materials used by Chinese and Vietnamese manufacturers are from illegal sources have drawn significant criticism from major consumer countries who have recently implemented timber legality regulations. These regulations, which include the Japanese ‘Goho-wood’ policy, the U.S. Lacey Act, the EU Timber Regulation and the Australian Illegal Logging Prohibition Act restrict the import of illegally harvested wood and are expected to have a direct impact on major wood processing countries such as China and Vietnam.

Surveys were conducted at trade shows in Ho Chi Minh, Shanghai and Guangzhou between 2014 and 2016 to assess how timber legality regulations influence attitudes and perceptions regarding regulations, firms’ use of chain of custody certification, and the material sourcing and export market decisions of industry managers. Survey responses were evaluated using descriptive statistics, regression analyses, cluster analysis, non-metric multidimensional scaling and analysis of similarity.

The analysis showed that as firms increase in size they tend to reduce domestic sales and show increased awareness and support for regulation, and that firms’ awareness of timber legality regulations plays a significant role in whether a firm decides to obtain chain-of-custody certification. The analyses also showed that Vietnamese firms have a lower awareness of timber legality regulations while being more supportive of those regulations. In contrast, Chinese firms have a higher awareness of timber legality regulations while having a more negative attitude towards those regulations. The findings also highlighted a split between Chinese firms with a domestic focus and firms which export to foreign markets suggesting a split in the market which may ultimately reduce the effectiveness of timber legality regulations. This segmenting of the Chinese market, and to a lesser extent the Vietnamese market, supports the idea that regulatory leakage is taking place, wherein sales of wood products from suspicious sources are being shifted away from regulated markets and towards unregulated markets which are experiencing rapid increases in demand for wood products.