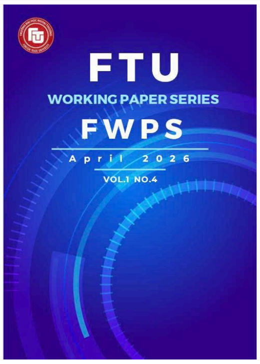

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PHÂN TÍCH QUY ĐỊNH VỀ CHỐNG PHÁ RỪNG TỰ NHIÊN CỦA LIÊN MINH CHÂU ÂU (EUDR) VÀ MỘT SỐ VẤN ĐỀ ĐẶT RA ĐỐI VỚI HOẠT ĐỘNG XUẤT KHẨU GỖ CỦA VIỆT NAM

Trần Khánh Ngân[1], Võ Phan Trâm Anh, Dương Anh Đức, Hoàng Anh Tuấn

Sinh viên K63 CLC Kinh tế Đối ngoại – Viện Kinh tế và Kinh doanh Quốc tế

Trường Đại học Ngoại thương, Hà Nội, Việt Nam

Vũ Huyền Phương

Giảng viên Viện Kinh tế và Kinh doanh Quốc tế

Trường Đại học Ngoại thương, Hà Nội, Việt Nam

Tóm tắt

Được thông qua vào tháng 4 năm 2023, quy định Chống phá rừng của Liên minh châu Âu (EUDR) đưa ra các yêu cầu nghiêm ngặt về thẩm định, truy xuất nguồn gốc và đảm bảo không gây mất rừng với các loại hàng hóa và sản phẩm liên quan khi thâm nhập vào thị trường EU. Bài viết đặt ra và trả lời câu hỏi: Những vấn đề chính rút ra được từ EUDR với xuất khẩu gỗ và sản phẩm từ gỗ của Việt Nam là gì, xét trên khía cạnh yêu cầu tuân thủ, cấu trúc chuỗi cung ứng và khả năng tiếp cận thị trường EU. Trước hết, bài viết xem xét các yêu cầu và cơ chế cốt lõi của EUDR. Tiếp đó, bài viết đánh giá tác động tiềm tàng của EUDR với ngành xuất khẩu gỗ của Việt Nam, đồng thời chỉ ra những thách thức lớn cũng như cơ hội. Cuối cùng, bài viết đề xuất các khuyến nghị định hướng đối với Nhà nước và các giải pháp cho doanh nghiệp nhằm hỗ trợ thích ứng hiệu quả với EUDR khi quy định này chính thức có hiệu lực từ ngày 30 tháng 12 năm 2026. Bài viết sử dụng phương pháp nghiên cứu pháp lý định tính kết hợp phân tích chuẩn tắc.

Từ khoá: EUDR, xuất khẩu gỗ, cơ hội, thách thức, khuyến nghị, EU

[1] Tác giả liên hệ, Email: k63.2412150220@ftu.edu.vn

AN ANALYSIS OF THE EU DEFORESTATION REGULATION AND ITS IMPLICATIONS FOR VIETNAM'S WOOD EXPORTS

Abstract

Adopted in April 2023, the European Union Deforestation-Free Regulation (EUDR) introduces strict due diligence, traceability, and deforestation-free requirements for commodities and related products entering the EU market. This paper addresses the research question: What are the key implications of the EUDR for Vietnam's wood and wood products (W&WPs) exports in terms of compliance requirements, production structure, and access to the EU market? First, this paper examines the key requirements and mechanisms of the EUDR. Second, it assesses the potential EUDR impacts on Vietnam's wood export industry, highlighting both major challenges alongside opportunities. Finally, this paper offers recommendations for the government and practical solutions for enterprises to support effective adaptation to the EUDR as it takes effect on 30 December 2026. The research adopts a qualitative legal approach combining normative legal analysis.

Keywords: EUDR, wood exports, opportunities, challenges, recommendation, EU

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1. Introduction

The 21st century has witnessed a global economic landscape defined by the expansion of international trade and investment. While agricultural trade is a strategic pillar in the macroeconomic policies of many nations, reliance on unsustainable forestry practices has intensified environmental pressures, emerging as a primary driver of global deforestation and forest degradation, particularly in developing economies. In 2023, the world lost approximately 3.7 million hectares of primary tropical forest, an area equivalent to the size of Bhutan. Despite a 9% decrease from 2022, this rate remains alarmingly consistent with high-loss years such as 2021 and 2019 (WRI, 2024). These trends pose a critical threat to global carbon sequestration, climate regulation, and biodiversity conservation, as primary tropical forests play an essential ecological role. Importantly, as deforestation is increasingly linked to the expansion of global commodity production networks, these environmental concerns are being translated into stricter trade regulations in major markets. For export-oriented sectors such as Vietnam's W&WPs industry, this implies that environmental sustainability is no longer optional but has become a key condition for maintaining international market access.

In pursuit of sustainable development and its commitment to ending global deforestation by 2030, the European Parliament adopted the EU Deforestation Regulation (EUDR) on June 23, 2023. The regulation, which will take effect from December 30, 2025 for large enterprises and June 30, 2026 for small and medium-sized enterprises (SMEs), requires that selected commodities, including wood, be proven deforestation-free and legally produced before entering the EU market. This framework introduces a stringent due diligence system, including geolocation traceability and risk assessment requirements, thereby creating a new layer of non-tariff barriers for exporting countries (VFCS, 2023).

For Vietnam, a major exporter of W&WPs, the EUDR presents both a regulatory challenge and a structural turning point. The EU currently stands as Vietnam's third-largest agricultural export market. Within this trade flow, wood is identified as one of the commodities most exposed to the EUDR's requirements because: i) wood is categorized under the regulation's high-risk group for deforestation; and ii) while the United States is the primary destination for Vietnamese wood products, it is also a major supplier of raw wood to Vietnam. At the same time, Vietnam's wood industry is characterized by a highly fragmented production structure, with a significant reliance on smallholder forestry production. This structural feature raises critical questions about the sector's ability to comply with the EUDR's stringent traceability and due diligence requirements.

Against this backdrop, this paper aims to analyse the regulatory implications of the EUDR for Vietnam's wood export sector. Specifically, the paper addresses the following research question: What are the key implications of the EUDR for Vietnam's wood exports in terms of compliance requirements, production structure, and access to the EU market? By focusing on these three dimensions, the paper seeks to move beyond a descriptive analysis of regulatory provisions and provide a more targeted assessment of their implications for an export-oriented industry.

Methodologically, this paper employs a normative legal analysis to examine the regulatory framework of the EUDR and its legal requirements for wood products. This paper adopts a qualitative legal approach, drawing on secondary data from industry reports, policy documents, and existing academic literature to analyse the implications of the regulation for Vietnam's wood sector.

Accordingly, the article first provides a detailed analysis of the EUDR provisions governing wood exports to the EU market. Subsequently, it examines the practicalities of wood production and export from Vietnam to the EU in recent years. This forms the basis for discussing the regulatory implications of the EUDR and offering policy-relevant recommendations to support businesses while contributing to the development of appropriate policy mechanisms for Vietnam's wood export industry.

2. Overview of the European Union Deforestation Regulation (EUDR)

The promulgation of Regulation (EU) 2023/1115, or the European Union Deforestation Regulation (EUDR), signifies a significant regulatory change in the Union's approach to sustainable trade and environmental governance. By superseding the European Union wood Regulation (EUTR), the EUDR introduces a more comprehensive legal framework that mandates both the legality of production and a "deforestation-free" status for commodities entering the Union's internal market (European Commission, 2023).

For the Socialist Republic of Vietnam, which has consolidated its position as a dominant global manufacturing hub for furniture and W&WPs, the EUDR represents a structural challenge to its established export-led growth model. Vietnam’s wood processing industry, which reached a milestone of $17 billion in export turnover in 2025 (General Department of Customs, 2025), now faces a crucial transitional phase where the integration of digital traceability, land tenure reform, and international cooperation has become a requisite for sustained access to the European market (Prime Minister, 2022; Forest Trends, 2024).

This regulatory evolution necessitates a fundamental restructuring of the Vietnamese production structure, which is characterized by high levels of fragmentation, a significant reliance on smallholder households, and complex import streams from various jurisdictions (To Xuan Phuc, 2023; VIFOREST, 2024).

2.1. Strategic Objectives and Material Scope

The primary objective of the EUDR is the internalisation of environmental externalities by reducing the EU’s aggregate contribution to global deforestation and forest degradation. While this promotes a "green" market and favours tech-ready exporters, it also introduces potential challenges, such as increased compliance costs, higher consumer prices, and the potential exclusion of smallholders who may struggle to meet the regulation’s strict geolocation and technical standards. This institutional intervention is projected to mitigate carbon emissions by approximately 32 million tonnes annually, aligning trade policy with the broader goals of the European Green Deal (European Commission, 2023).

The regulation specifically targets seven high-risk commodities which are wood, rubber, coffee, cattle, cocoa, soy, and palm oil, alongside a comprehensive list of derived products such as leather, chocolate, and furniture. For Vietnam, the impact is most acute in the wood, rubber, and coffee sectors, which collectively generate over $2.5 billion in annual revenue from the EU market. The wood industry is especially critical; not only does it command a high export value, but it also navigates a complex production and sourcing system involving both domestic plantation wood and imported raw materials.

2.2. The Three Pillars of Due Diligence

The EUDR process is systematically structured around three critical pillars that Vietnamese exporters must navigate:

Information Collection: Operators must consolidate a comprehensive dataset regarding the product's origin, including trade names, scientific names, and quantities. A stringent requirement is the mandatory collection of geolocation coordinates (latitude and longitude) for every plot of land where the wood was produced. This data must demonstrate that the production area has not been subject to deforestation or forest degradation after the cutoff date of December 31, 2020.

Risk Assessment (Analytical Framework): Operators must rigorously evaluate the collected data against various risk criteria. This includes benchmarking the country of origin, the complexity of the production and sourcing system, and the presence of indigenous peoples' rights. For Vietnamese firms, this involves proving that plantation expansion has not encroached upon natural forest borders and that imported wood from various jurisdictions has been properly segregated.

Risk Mitigation (Compliance Assurance): If any "non-negligible risk" is detected, operators are legally bound to execute corrective measures, such as independent audits or capacity-building for upstream suppliers. The final stage is the mandatory submission of a Due Diligence Statement (DDS) through the TRACES NT portal, whereby the operator assumes legal liability for the product's compliance.

Following the implementation of these three pillars, it appears evident that traceability, data management, and institutional coordination are not merely technical requirements but are now highly relevant to the long-term viability of the Vietnamese wood industry.

The fragmented nature of Vietnam's production system which relies on over 1.1 million smallholder households means that digital traceability is the most viable path to managing the massive data volume required for geolocation. Furthermore, robust data management is essential for aligning provincial land registries with national forest databases to address documentation gaps in land-use rights. Finally, institutional coordination between the Ministry of Agriculture and Rural Development (MARD), local authorities, and private associations like VIFOREST is vital to maintaining Vietnam's "low-risk" status and ensuring that smallholders are not excluded from the global market. However, long-term performance now depends on a transition from fragmented competition to a unified national system of traceability and transparency (MARD, 2026). By prioritizing digital data management and institutional coordination, Vietnam aims to secure its access to the global green economy and maintain its position as a dominant manufacturing hub.

2.3. Geolocation Mandates and Technocratic Traceability

The EUDR establishes a groundbreaking level of technical monitoring by requiring precise GPS coordinates for every individual land parcel. Operators must provide latitude and longitude coordinates for every production site, with a minimum precision of six decimal points. For production units exceeding four hectares, the regulation mandates the submission of "polygons" - a series of coordinates defining the exact boundary of the plot (European Forest Institute, 2023). In Vietnam, this requirement poses a significant challenge for Vietnam's wood value chain, where 95% of domestic timber is supplied by smallholders managing small, non-contiguous plots. Unlike the industrial concessions found in North America or Europe, the lack of a synchronized digital land registry in Vietnam's rural areas makes the collection of verifiable geolocation data an expensive endeavour. Without state-led infrastructure, there is a potential risk that these small-scale growers will be "de-linked" from the EU market, leading to a concentration of export power among only the most capitalized enterprises.

2.4. Risk-Based Benchmarking and Institutional Enforcement

The European Commission employs a tiered benchmarking system to categorize regions as low, standard, or high risk. Even though 'low-risk' regions are eligible for streamlined due diligence skipping particular risk evaluation and reduction measures the obligation to provide geolocation data applies to all exporters without exception. Vietnam is currently leveraging its long-standing Voluntary Partnership Agreement (VPA/FLEGT) to secure a "Low-Risk" classification. Achieving this status would be a significant competitive advantage, as it would grant Vietnamese furniture manufacturers access to "simplified due diligence," drastically reducing administrative costs and inspection frequencies compared to "High-Risk" competitors in Southeast Asia or South America.

2.5. Implementation Trajectory and Transitionary Provisions

In response to concerns regarding production system readiness, the European Council postponed the initial application dates in late 2025. The current compliance schedule mandates that large-scale enterprises adhere to the regulation by December 30, 2026, while Micro and Small Enterprises (SMEs) have been granted an extension until June 30, 2027.

This phased implementation allows for the gradual adaptation of complex global production networks to the new traceability and digital mapping standards. However, the ability of exporters to utilize this transition period effectively depends on the existing structure and institutional capacity of their domestic industries. Therefore, the following section examines the current characteristics of Vietnam's wood export sector in order to better understand the potential impacts of the EUDR on this industry.

3. Overview of Vietnam's Wood Industry

3.1. Wood Production and Export Situation in Vietnam

The national forest coverage rate remained stable at 42.03%, ensuring the achievement of the national strategic objectives. In terms of afforestation, the country planted 284,646 hectares of forest, reaching 109.5% of the 2025 annual plan - a 10.1% increase compared to 2024. This total included 7,424 hectares of protection forests, 9,768 hectares of special-use forests, and 276,244 hectares of production forests. The area of forest granted management certificates reached nearly 120,000 hectares (122% of the 2025 plan), bringing the total certified forest area nationwide to an estimated 730,000 hectares. This figure represents 146% of the target set for the end of 2025 (500,000 hectares under Sustainable Forest Management certification). Concentrated plantation forests also supplied approximately 24.6 million m^3 of raw wood materials for domestic production and export activities (Department of Forestry, 2025).

According to data from Vietnam Customs, exports of wood and wood products (W&WPs) in December 2025 reached nearly $1.7 billion, driving the total annual export turnover for 2025 to $17.2 billion, a growth of approximately 6% over 2024. This marks the first time Vietnam's wood industry has surpassed the $17 billion threshold, representing a significant achievement despite 2025 being regarded as a period of substantial sectoral challenges.

Regarding the commodity structure, wooden furniture remains the primary component of W&WP exports. According to the Agency of Foreign Trade (Ministry of Industry and Trade), in the first 11 months of 2025, wooden furniture exports reached $9.434 billion, accounting for nearly 61% of the industry's total export turnover. Additionally, several other categories achieved turnovers exceeding $1 billion, including wood chips ($2.22 billion), wood panels and flooring ($2.091 billion), and wood pellets ($1.081 billion).

3.2. Wood Export Situation to the European Union (EU)

The EU market is the fifth-largest export market for Vietnam's wood industry. In 2024, Vietnam's exports to this market reached $574.06 million, a 26% increase compared to 2023, representing 3.5% of the industry's total export turnover. In 2025, exports of W&WPs to the EU reached $599.36 million, reflecting a slight increase of 4.4%. The primary EU export markets for Vietnamese wood in 2025 included France ($112.9 million), the Netherlands ($194.72 million), Germany ($100.9 million), and Spain ($75.07 million) (General Department of Vietnam Customs, 2025).

Figure 1 and *Figure 2* illustrate the fluctuations in Vietnam's W&WP export turnover to the EU market during the 2021-2025 period, as well as monthly export variations for the years 2023, 2024, and 2025 (General Department of Vietnam Customs, 2021-2025).

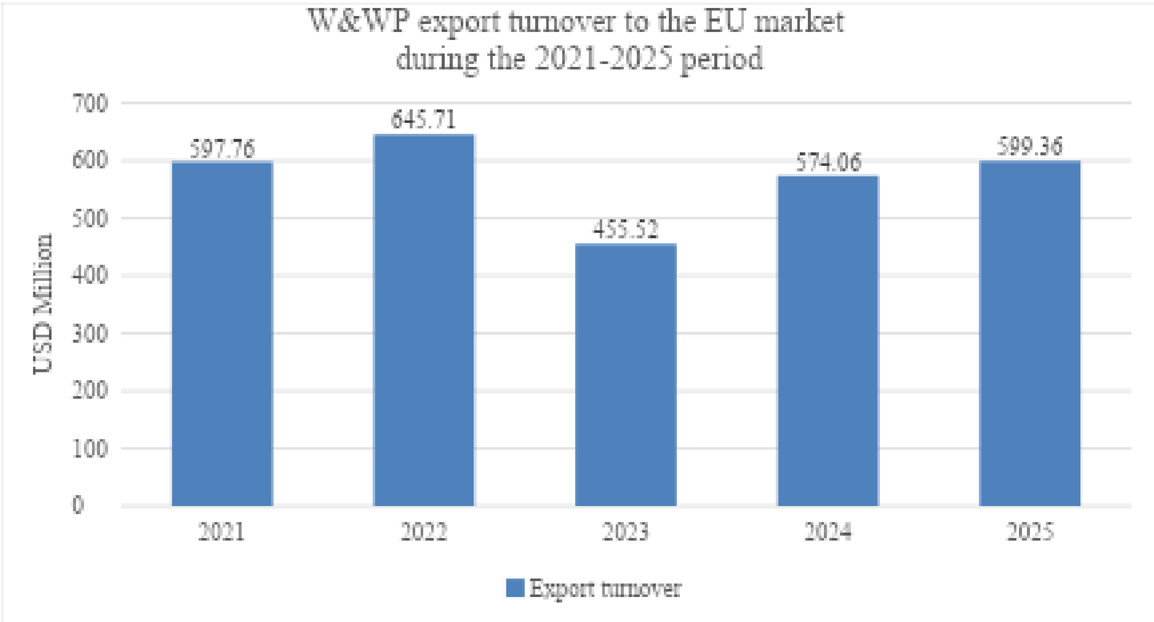

Figure 1: W&WP export turnover to the EU market during the 2021-2025 period

Source: General Department of Vietnam Customs

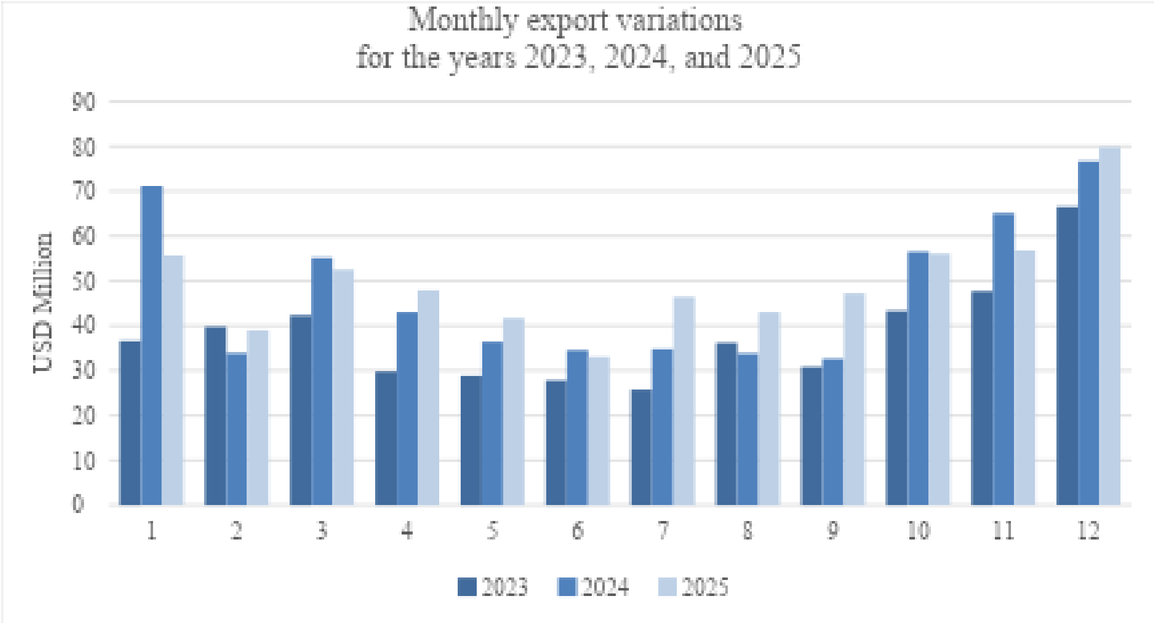

Figure 2: Monthly export variations for the years 2023, 2024, and 2025

Source: General Department of Vietnam Customs

The 2025 export pattern demonstrates a structural trend rather than short-term volatility. Although January and February figures were below 2024 levels, exports increased persistently from July onward and remained higher than both 2023 and 2024 for the rest of the year. The July value (USD 46.48 million) was approximately 33% higher than 2024 and nearly 80% higher than 2023, indicating a notable shift in performance. The widening gap in the final quarter - culminating at USD 79.81 million in December, the highest level across the three-year period - suggests an acceleration in growth rather than simple recovery. Overall, the second half of 2025 accounts for the majority of annual gains, implying improved export capacity and stronger market absorption in the EU market.

Moving forward, the European Union is expected to impose even higher traceability requirements. Specifically, every W&WPs exported to the EU must demonstrate a legal and transparent origin, ensuring it does not originate from land subject to deforestation or forest degradation according to EU criteria. While the regulation presents significant challenges due to its strict compliance, the transition also creates opportunities. Meeting these higher environmental standards is expected to improve the reputation of Vietnamese wood products, maintain access to high-value export markets, and encourage a gradual shift toward more sustainable and value-added forest management.

3.3. Adaptive Capacity of Vietnamese Wood Enterprises

The adaptive capacity of Vietnam's wood industry is based on a decade of strengthened forest governance and active international integration. Since the 2014 ban on natural forest logging, Vietnam has established a "zero-deforestation" baseline that is respective to the objectives of the EU Deforestation Regulation (EUDR). This readiness is supported by prior experience with the EU wood Regulation (EUTR 995/2010) and the VPA/FLEGT framework, which have promoted due diligence practices among exporters. According to Dr. Nguyen Hoang Tiep, Deputy Director of the Vietnam Forest Certification Office (VFCO), as of mid-2025, Vietnam has exceeded its forestry targets, with 674,946 hectares of certified forests. The expansion of certification, particularly through the Vietnam Forest Certification Scheme (VFCS/PEFC), provides a clear legal and administrative basis for enterprises to comply with EUDR requirements relative to several regional competitors.

At the industry level, organizational reforms have focused on formal "Organization-Household" linkages to improve traceability mechanisms. About 70% of forests managed by organizations have approved sustainable management plans, and nearly 20% of certified forests operate through partnerships between enterprises and smallholders. These arrangements support the EUDR requirement for plot-level geolocation data. By forming cooperatives and using shared digital tools, smallholders can provide standardized information on cultivation and output, which improves traceability and addresses the problems caused by fragmented landholdings.

Despite these advantages, several technical constraints remain. A key issue is the inconsistency between Vietnam's national forest statistics and the satellite monitoring system used by the EU's Joint Research Centre (JRC). Vietnam reports forest cover at 42%, while the JRC's broader definition estimates around 60%. This difference may expose enterprises to compliance risks if areas classified as non-forest domestically are considered forest by the EU. Another issue lies in Vietnam's wood production structure, comprising more than one million smallholder plots with many of which are smaller than 0.5 hectares resulting in a highly fragmented production structure. This fragmentation may constrain the implementation of consistent traceability systems across the production system. In addition, mapping more than one million smallholder plots is likely to generate high administrative and financial costs, which may disadvantage small suppliers.

The challenges are more evident in product categories that use composite or secondary materials. Solid wood products can usually be traced to specific certified sources, whereas wood pellets and wood chips depend on residues collected from numerous small mills. Under the EUDR, the requirement to link each input to a geographic origin identifies critical gaps in existing systems. As a result, adaptation capacity differs across subsectors: furniture manufacturers appear better positioned for compliance, while pellet and chip producers face greater difficulties in meeting the "negligible risk" requirement.

Despite the Vietnamese wood industry's strong export capacity and the expanding coverage of forest certification, significant constraints remain in data consistency and traceability, particularly where production depends on numerous small-scale suppliers. These characteristics are expected to influence how the industry responds to the requirements of the EUDR. Specifically, the regulation is expected to affect Vietnam's wood exports through three main channels: compliance costs, traceability conditions, and market access conditions.

4. Impacts of the European Union Deforestation Regulation on Vietnam's Wood Exports

4.1. Impacts on Compliance Costs

The implementation of the European Union Deforestation Regulation (EUDR) is expected to significantly reshape the cost structure of Vietnam's W&WPs export sector, particularly through increased requirements for traceability, data management systems, and compliance verification. These cost pressures arise from the need to align existing production and sourcing practices with stringent EU standards on legality and deforestation-free sourcing.

Firstly, compliance with EUDR traceability requirements entails substantial investment in data collection and verification. Exporters must ensure that all wood inputs can be traced back to specific plots of land, supported by precise geolocation data. This requirement increases operational complexity, particularly in a context where Vietnam's wood production structure is highly fragmented. With more than one million smallholder households involved in wood production, many of whom manage plots smaller than 0.5 hectares, the process of mapping and verifying each production unit is likely to generate significant administrative and financial burdens. Consequently, compliance costs are anticipated to increase, particularly for businesses that depend on domestic plantation wood, due to the requirement to map and monitor a large number of small-scale plots.

Secondly, the EUDR imposes additional costs related to the establishment and maintenance of digital data systems. Firms are required to develop integrated databases capable of storing, updating, and transmitting information on product origin, actors involved in production, and risk assessments. This includes investments in geographic information systems (GIS), satellite monitoring tools, and traceability platforms. While large enterprises may have sufficient resources to internalize these investments, small and medium-sized enterprises (SMEs) may face financial constraints, potentially creating uneven compliance capacity across the industry. Furthermore, the absence of a complete national land registry system in Vietnam forces companies to depend on their internal solutions which results in higher compliance expenses affecting the broader industry.

Thirdly, the due diligence framework under the EUDR requires continuous risk assessment and mitigation, leading to increased expenditures on audits, third-party verification, and compliance documentation. Exporters must ensure that the risk of non-compliance is reduced to a "negligible" level before products can enter the EU market. This often necessitates independent certification, supplier screening, and additional documentation processes, all of which contribute to higher transaction costs. In cases where upstream suppliers are unable to provide sufficient information, firms may also incur switching costs in sourcing alternative materials, further increasing overall compliance expenditures.

Despite these challenges, Vietnam's wood industry also possesses certain structural advantages that may help mitigate compliance costs. In particular, the expansion of certified forest areas provides an important foundation for meeting EUDR requirements. As of 2025, Vietnam has approximately 730,000 hectares of certified forests, significantly exceeding the national target, with 674,946 hectares certified under the Vietnam Forest Certification Scheme (VFCS/PEFC). This expanding certification base is expected to reduce the need for additional verification and facilitate compliance with due diligence requirements, thereby potentially lowering marginal compliance costs for firms sourcing from certified plantations.

In summary, the EUDR is likely to increase compliance costs across the Vietnamese W&WPs export sector through higher expenditures on traceability, data systems, and verification processes. However, the extent of this impact is not uniform. Firms with access to certified raw materials and established traceability systems are better positioned to absorb these costs, while those dependent on fragmented smallholder production systems face significantly greater financial and operational challenges.

4.2. Impacts on Traceability and Production Structure

The EUDR is expected to exert significant pressure on transparency and organization of production and sourcing activities in Vietnam's W&WPs export sector, particularly through stricter traceability requirements and the need for more coordinated sourcing systems.

Firstly, the EUDR creates opportunities to strengthen production network coordination, particularly through enhanced enterprise-household linkages. Exporters must ensure that all timber inputs are linked to specific geographic origins, supported by verifiable data on production practices. This requirement encourages firms to move away from loosely connected sourcing networks toward more formalized and controlled sourcing structures, thereby necessitating a restructuring of the existing production linkages. As a result, firms increasingly seek to directly coordinate with smallholder producers to secure compliant raw materials. As discussed in the previous section, approximately 20% of certified forest areas are developed under partnership models between enterprises and households, while around 70% are covered by management plans. These figures indicate an existing structural basis that can be leveraged to strengthen traceability and support compliance under the EUDR.

At the same time, these developments create opportunities to improve overall transparency and governance of sourcing activities. Stronger linkages between firms and suppliers reduce information asymmetry and facilitate the implementation of traceability systems. The adoption of standardized data collection processes and monitoring mechanisms further enhances the ability of firms to meet due diligence obligations under the EUDR. Over time, this restructuring process may strengthen the reliability and credibility of Vietnam's wood exports in international markets.

However, the effectiveness of these improvements is constrained by persistent structural challenges. A major issue lies in the highly fragmented nature of the production structure, which involves more than one million smallholder producers, many managing plots smaller than 0.5 hectares. This fragmentation increases coordination complexity and makes it difficult to establish consistent traceability across all supply sources. The cost and effort required to collect, verify, and maintain data at such a granular level impose significant burdens on firms.

These challenges are particularly evident in subsectors that rely on composite or residual materials. Wood pellets and wood chips, which are produced from residues collected from numerous small-scale processing units, face substantial traceability difficulties. Under the EUDR, the requirement to link each input to a specific geographic origin exposes critical gaps in existing systems for these products. Consequently, while production structure restructuring creates opportunities for improved transparency, its impact is uneven across subsectors, with pellet and chip producers facing greater barriers to compliance.

4.3. Impacts on Market Access to the EU

The implementation of the EUDR will significantly affect Vietnam's competitiveness in the global wood export market. By adapting to these stricter standards, Vietnamese enterprises can take advantage of the growing global demand for sustainable products.

Meeting these requirements not only helps businesses maintain access to the European Union market but also potentially increases the value of their products and strengthens their brand image through greater environmental transparency. As a result, companies that respond proactively may gain a competitive advantage over exporters from countries that are less prepared to meet these regulatory standards.

One major opportunity comes from Vietnam's classification as a low-risk country under the regulation. Vietnam currently maintains a relatively stable national forest coverage of 42.03%. This low-risk status allows businesses that comply with the regulation to benefit from simplified due diligence procedures and fewer inspections. In practice, this can reduce administrative delays and make it easier for Vietnamese exporters to maintain steady trade with the European Union. This advantage becomes more significant when compared with higher-risk exporting countries such as Brazil, Indonesia, and Malaysia. In addition, Vietnam has already established an important legal foundation by signing the Voluntary Partnership Agreement on Forest Law Enforcement, Governance and Trade (VPA/FLEGT). This agreement provides a formal system for verifying the legality of timber and wood products exported to the European Union.

However, the strict enforcement of the regulation also creates serious risks for Vietnam's wood industry. The possibility of losing access to the European Union market is particularly concerning given the recent growth of Vietnamese wood exports to this region. Companies that fail to comply with the regulation may face severe penalties, including product confiscation or even a ban from trading in the European Union. Considering that exports to the EU have reached approximately 599 million dollars, the financial consequences could be substantial. The risk is even greater because furniture products account for about 61% of these exports, meaning that restrictions could heavily impact this key segment of the industry. In addition, any accusations of non-compliance could disrupt production and sourcing relationships and damage the reputation of Vietnam's wood export sector in the long term.

In summary, the European Union Deforestation Regulation creates both opportunities and challenges for Vietnam's access to the EU market. On the one hand, Vietnam's low-risk status and existing legal framework, including the VPA/FLEGT agreement, provide a strong foundation for companies that are willing to comply with the new requirements. This could help Vietnam strengthen its position and potentially expand its market share. On the other hand, the large volume of exports to the EU, which is worth around 599 million dollars with furniture making up 61%, means that failing to meet the regulation's standards could lead to substantial financial losses and market exclusion. For this reason, maintaining access to the EU market will depend largely on how effectively Vietnamese businesses can ensure full compliance with the regulation's traceability and legality requirements.

5. Proposed recommendations for Vietnam's wood export industry

5.1. Recommendations for Vietnam's Government

To maintain Vietnam's position as a major global W&WPs exporter, the government should consider implementing policies that support industry-wide compliance with the EUDR while minimizing the additional costs imposed on businesses.

A key priority should be the development of an integrated national digital traceability and land information system. At present, the absence of a comprehensive national land registry forces companies to rely on their own internal systems to verify the origin of wood inputs. This is expected to increase compliance costs, particularly given the highly fragmented nature of Vietnam's wood production structure, which involves more than one million smallholder households managing plots smaller than 0.5 hectares. Vietnam has already introduced several digital traceability tools, including the iTwood system, the WoodID application, and emerging national traceability platforms. However, these systems remain fragmented and are being implemented unevenly across sectors and regions. The government should therefore prioritize the integration and nationwide expansion of these existing platforms into a unified national wood traceability system that connects land registry data, plantation ownership records, harvesting permits, and geolocation information. Such a centralized system is anticipated to significantly reduce administrative burdens for businesses while strengthening Vietnam's ability to meet EUDR traceability requirements.

Another significant policy priority involves improving coordination between exporting firms and smallholder forest producers. Vietnam's wood production structure remains highly fragmented, with more than one million households involved in plantation forestry, many managing plots smaller than 0.5 hectares. This structure makes it difficult for firms to collect the detailed geolocation and production data required under the EUDR, increasing verification costs and complicating traceability efforts. To address this challenge, the government should promote cooperative production models and group certification schemes that allow smallholders to collectively meet compliance requirements. Organizing producers into structured networks would simplify data collection, improve traceability conditions, and enable exporters to secure stable sources of compliant wood. In addition, targeted training programs and technical assistance for smallholders could help improve their understanding of traceability requirements and sustainable forest management practices. Over time, stronger coordination between firms and producers would reduce compliance costs while improving the reliability and transparency of Vietnam's wood production systems.

5.2. ***Recommendations for Vietnam's Wood Manufacturers***

Wood manufacturers should increasingly prioritize raw materials sourced from certified and well-documented forest areas. The EUDR requires exporters to demonstrate that wood products are both legally produced and free from deforestation risks, making reliable documentation of wood origin a critical component of market access. Firms that rely on fragmented or poorly documented supply sources are likely to face higher verification costs and greater compliance risks. Vietnam has already expanded its certified forest area significantly, providing an important foundation for meeting international sustainability standards. By sourcing more materials from certified plantations and suppliers with established traceability systems, manufacturers can potentially reduce the complexity of due diligence procedures and lower the need for repeated audits and verification processes. Over time, a stronger reliance on certified and traceable sources is expected to allow Vietnamese exporters to maintain stable access to the European Union market while also strengthening the credibility of Vietnam's W&WPs products in global markets.

In addition to improving sourcing strategies, manufacturers must strengthen their internal capacity to manage the extensive data requirements associated with EUDR compliance. Exporters are required to maintain detailed records on product origin, supplier networks, and risk assessments, which must be regularly updated and submitted to regulatory authorities. Without effective data management systems, firms may struggle to demonstrate compliance with the regulation's due diligence requirements. To address this challenge, manufacturers, especially small and medium-sized enterprises should consider collaborating through industry associations to develop shared digital traceability and compliance platforms. Collective systems could help distribute the costs of building databases, monitoring production inputs and sourcing activities, and maintaining compliance documentation. Industry-wide digital platforms would also allow firms to standardize reporting practices and improve information sharing across the production networks. Strengthening digital compliance capacity in this way is viewed as essential for reducing operational risks and ensuring that Vietnamese wood exporters remain competitive in markets with increasingly strict sustainability regulations.

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