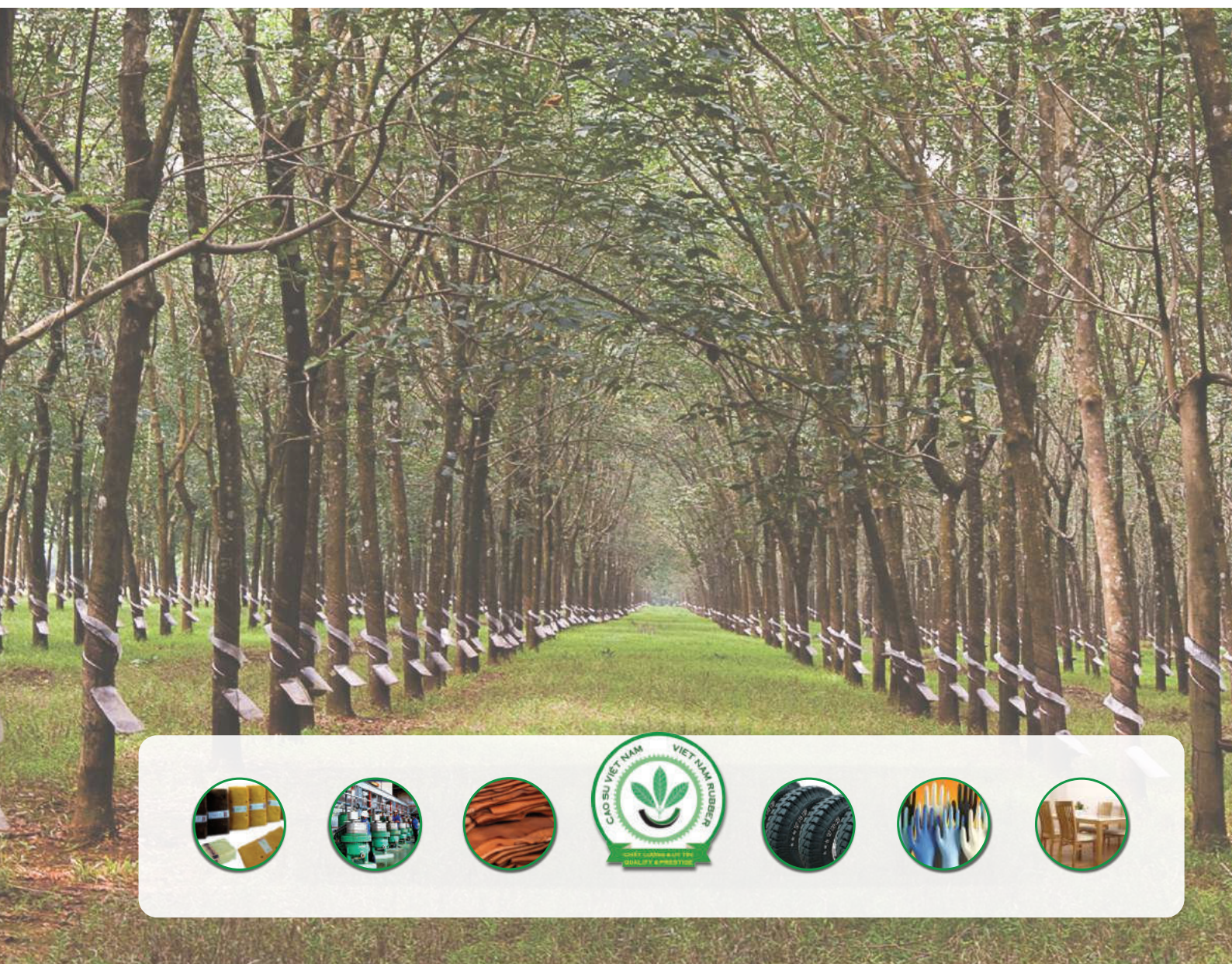




# TÀI LIỆU HỘI THẢO

## TRIỂN VỌNG NGÀNH CAO SU TRONG TÌNH HÌNH MỚI

SEMINAR "PROSPECTS OF VIET NAM RUBBER  
INDUSTRY IN THE NEW CONTEXT"



Thành phố Nha Trang, ngày 06 tháng 12 năm 2019



## SEMINAR AGENDA

### *“Prospects of Viet Nam Rubber Industry in the new context”*

Time: **13:00 – 17:00**

Date: **06<sup>th</sup> December 2019**

Venue: Champa Island Nha Trang – Resort Hotel

304, 2 Thang 4 Street, Vinh Phuoc Ward, Nha Trang City, Viet Nam

- 13:00 Registration
- 13:30 Introduction
- 13:35 Welcome Speech  
*The Viet Nam Rubber Association (VRA)*
- 13:50 **What 2020 holds for the World Rubber Industry?**  
*Mr. Jom Jacob*  
*Senior Economist, Association of Natural Rubber Producing Countries (ANRPC)*
- 14:10 **US-China trade tensions and impacts on the global rubber industry**  
*Mr. Salvatore Pinizzotto*  
*Secretary General, International Rubber Study Group (IRSG)*
- 14:30 **Trends and consumers’ demand for sustainable natural rubber sourcing**  
*Mr. Michael Gill*  
*Managing Director, Cooper Tire & Rubber International Trading Company*  
*Global Platform for Sustainable Natural Rubber (GPSNR)*
- 14:50 Tea break
- 15:10 **Sustainable Development of the Rubber Industry and VRA Action Plan for 2020**  
*Mr. Vo Hoang An*  
*Vice Chairman cum Secretary General, Viet Nam Rubber Association (VRA)*
- 15:30 **Viet Nam rubber industry in the new context: Opportunities and challenges**  
*Dr. Tran Toan Thang*  
*Director, Department of Industrial Economic Forecast and Enterprise Development, National Center for Socio-Economic Information and Forecast, Ministry of Planning and Investment*
- 16g00 Discussion / Q&A
- 17g00 Closing



## What 2020 Holds for the World Rubber Industry?

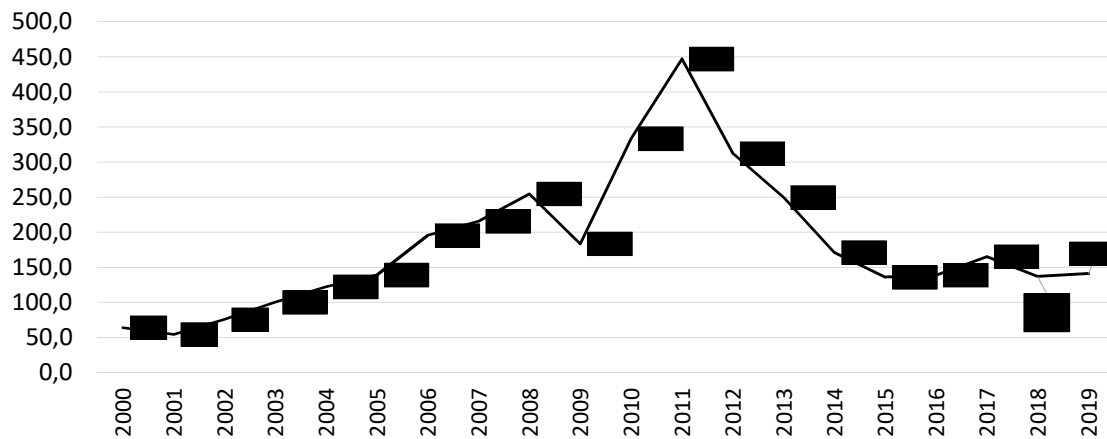
Jom Jacob  
Senior Economist, ANRPC

6 Dec 2019

VRA Seminar

1

Annual Prices of SMR 20  
(From 2000 onwards, US\$/100 kg)



6 Dec 2019

VRA Seminar

2



## Daily Prices of SMR 20 (Jan 2018 to Nov 2019, US\$/100 kg)



6 Dec 2019

VRA Seminar

3

## Drivers of NR Prices

### Fundamental

- Supply (-)
- Demand (+)
- Factors which directly influence supply or demand

### Non-fundamental

- Strength of major NR exporting countries' currencies (+)
- Strength of US dollar (-)
- Strength of Japanese yen (-)
- Crude oil prices (+)
- Speculative investments in commodities (+)
- News and events (+ or -)
- Economic outlook (+)

6 Dec 2019

VRA Seminar

4

## Production during 2018, 2019 and 2020

	2018	2019 Likely	2020 Proj
Thailand	4,973	4,923	5,260
Indonesia	3,630	3,301	3,325
Viet Nam	1,138	1,160	1,262
China	818	836	843
India	660	702	830
Malaysia	603	650	668
Myanmar	270	305	340
Cambodia	220	292	348
Philippines	106	115	128
Sri Lanka	83	95	100
Bangladesh	23	25	27
PNG	6	6	6
<b>ANRPC Total</b>	<b>12,530</b>	<b>12,410</b>	<b>13,137</b>

6 Dec 2019

VRA Seminar

5

	2018	2019 Likely	2020 Proj.
Ivory Coast	624	700	725
Brazil	185	190	190
Laos	102	130	160
Guatemala	102	106	110
Liberia	72	72	74
Nigeria	56	58	60
Ghana	41	52	57
Cameroon	48	50	57
All others	103	128	142
<b>World Total</b>	<b>13,863</b>	<b>13,896</b>	<b>14,712</b>
Growth (%)	3.6	0.2	5.9

## Consumption during 2018, 2019 and 2020

	2018	2019 Likely	2020 Proj
China	5,670	5,475	5,500
India	1,220	1,136	1,159
Thailand	627	738	768
Indonesia	634	640	650
Malaysia	542	534	548
Viet Nam	225	230	241
Sri Lanka	135	113	125
Philippines	40	43	46
<b>ANRPC Total*</b>	<b>9,093</b>	<b>8,909</b>	<b>9,037</b>

\* Total of ANRPC does not include Myanmar and Bangladesh

6 Dec 2019

VRA Seminar

6

	2018	2019 Likely	2020 Proj.
USA	989	1,002	1,007
EU-28	1,231	1,239	1,264
Japan	706	711	711
Brazil	405	411	417
Turkey	200	198	199
Canada	139	148	152
Russia	125	129	133
Mexico	112	95	95
Rep of Korea	367	362	362
Taiwan China	97	100	101
All others	394	396	397
<b>World Total</b>	<b>13,858</b>	<b>13,699</b>	<b>13,873</b>
Growth (%)	4.1	-1.1	1.3

## Anticipated Demand-Supply Position in 2020

	Production		Consumption		Excess (+) or Deficit (-)
	('000 t)	Annual % change	('000 t)	Annual % change	
2018	13,863	3.6	13,858	4.1	5
2019	13,896	0.2	13,699	-1.1	197
2020	14,712	5.9	13,873	1.3	839

6 Dec 2019

VRA Seminar

7

## Production Capacity (2019)

	Unattractive Price Scenario			Attractive Price Scenario			Increase in production ('000 tons)
	Tapped area ('000 ha)	Average yield (kg/ha)	Production ('000 tonnes)	Tapped area ('000 ha)	Average yield (kg/ha)	Production ('000 tonnes)	
Thailand	3,264	1,509	4,923	3,264	1,770	5,777	854
Indonesia	3,222	1,025	3,301	3,222	1,255	4,044	743
Viet Nam	700	1,657	1,160	700	1,780	1,246	86
China	770	1,086	836	770	1,260	970	134
Malaysia	445	1,460	650	640*	1,510	966	316
India	518	1,355	702	628*	1,800	1,130	428
<b>Total</b>			<b>11,572</b>			<b>14,134</b>	<b>2,562</b>

\* It is assumed that 80% of mature area in Malaysia and 94% of mature area in India would be tapped in the event of prices turning attractive.

6 Dec 2019

VRA Seminar

8

## Market Sentiments are Influenced by Excess Capacity of Production

- In the event of prices becoming attractive, it can prompt a large section of the farmers to increase the output by adopting various short-term measures leading to higher average yield from their existing trees.
- A large extent of untapped mature trees, especially in Malaysia and India, may be reopened for tapping once prices turn attractive.
- The total production from the six major producing countries (Thailand, Indonesia, Viet Nam, China, Malaysia and India) in 2019 would have been higher by 2.5 million tonnes (Compared with the production anticipated for 2019) if the prices have been attractive to the farmers.
- It means, the production capacity is 2.5 million tonnes more than the quantity likely to be produced during year from these 6 countries alone.

6 Dec 2019

VRA Seminar

9

## Deliverable Physical Stock at Designated Warehouses of Shanghai Futures Exchange (tonnes)

<b>25 Jan 2019</b>	<b>432,270</b>
22 Feb 2019	437,876
29 Mar 2019	437,300
26 Apr 2019	430,588
31 May 2019	423,305
28 Jun 2019	417,055
26 Jul 2019	437,869
30 Aug 2019	463,555
27 Sep 2019	455,269
25 Oct 2019	481,065
22 Nov 2019	489,541*
29 Nov 2019	228,282

\* The stock at the end of Nov 2018 was 375,489 tonnes

6 Dec 2019

VRA Seminar

10



## Is the abnormal fall in Shanghai inventory at end of Nov 2019 the sign of a major trend reversal?

- Inventory on 22 Nov 2019: 489,541 tonnes
- Inventory on 29 Nov 2019: 228, 282 tonnes (Came down by 261,300 tonnes)
- According to SHFE regulation, the stockpile which is kept more than a year is not deliverable in the futures market. This is not considered as a deliverable grade. This must be either sold at a discount or taken out from the warehouse.
- The deliverable inventory reported at the end of Nov 2019 was without including the major stockpiles which have reached the one-year expiry.
- It means, the stock remains there although it is included in the deliverable inventory.

6 Dec 2019

VRA Seminar

11

## Market Outlook for 2019 and 2020

### Negative Factors

1. Considerably excess capacity of production.
2. Increasing physical stock of rubber at designated warehouses of Shanghai Futures Exchange.
3. Slowing world economy
  - a. IMF in October 2019 scaled down the growth forecasts for 2019 by 0.2 percentage point and for 2020 by 0.1 percentage point
  - b. Slowing Chinese economy (2018: 6.4%, 2019: 6.1% and 2020: 6.0%)
  - c. IMF down-scaled India's outlook by 0.9 basis points in 2019 and 0.2 basis points in 2020
  - d. Slowing US economy (2018: 2.9%, 2019: 2.4%, 2020: 2.1%)
  - e. Slowing EU (2018: 1.9%, 2019: 1.2%, 2020: 1.4%)
  - f. Slowing ASEAN-5 (2018: 5.2%, 2019: 4.8%, 2020: 4.9%)

6 Dec 2019

VRA Seminar

12

## Market Outlook for 2019 and 2020 (Cond.)

### **Negative Factors**

4. Negative business sentiments preventing/postponing investments
  - a. Tariff-war
  - b. Increasing protectionism.
  - c. Geopolitics
5. Slowing world trade volume (2018: 3.6%, 2019: 1.1% and 2020: 3.2%).
6. Falling consumption in first two major consuming countries
  - a. Consumption in China (2018: 5.3% 2019: -3.4% 2020: 0.5%)
  - b. Consumption in India (2018: 12.8% 2019: -6.9% 2020: 2.0%)
  - c. Anticipated total consumption in the two countries in 2019 is 280,000 tonnes lower compared with 2018.

6 Dec 2019

VRA Seminar

13

## Market Outlook for 2019 and 2020 (Contd.)

### **Positive Factors**

1. Potential loss of rubber output due to Pestalotiopsis fungal leaf disease and its potential further spread
  - a. Till October 2019 the disease has affected 386,930 ha in Indonesia, 51,200 ha in Thailand, 2700 ha in Malaysia and 1000 ha in Sri Lanka.
  - b. Approximately 20% to 45% decline in yield reported in the affected trees.
2. Hope on possible agreement reaching between the US and China on tariff rates, ahead of the US presidential election to be held in Nov 2020.

6 Dec 2019

VRA Seminar

14

## Feasibility of Interventions to Make Demand-Supply Fundamental Favourable?

- The effectiveness of any intervention to make the demand-supply fundamental favourable to the prices depends on its capability to absorb the large quantity of the excess production capacity.
- The excess production capacity from the major six countries alone comes to around 2.5 million tonnes.

6 Dec 2019

VRA Seminar

15

## “Concept Paper on Equitable Market” Contingency Plan Formulated by ANRPC in 2008

The Concept Paper, adopted in 2008, had observed that:

- Excess supply should not be managed by procuring and holding the stock. Such an intervention can be counter-productive. The stock can cause a concern that it may reach the market at any time. This psychological sentiment can become a barrier for the market to recover. Stockholding requires huge working capital.
- Production limiting programme (Set Aside programme) is not practical to be implemented in a smallholder-dominated sector. It is difficult for member governments to find resources to compensate millions of farmers for keeping their trees not tapped. Even if funds are available, monitoring of production limiting programme is not practical.

6 Dec 2019

VRA Seminar

16

## Feasibility of Reducing Excess Production Capacity?

- Are there practical ways to reduce the excess production capacity?
- One way is to promote large-scale replanting by offering highly attractive incentives, with eligibility limited to a short period:
  - Large-scale replanting is a good option if heavy shortage is anticipated in long-term future
  - Availability of funds is a question
- Another way is promote large-scale crop-shifting by offering highly attractive incentives
  - Crop-shifting is a good option if the supply is anticipated to be in excess even in the long period in future.
  - Availability of funds?
- Yet another option is to take appropriate policy actions on the illegal rubber plantations reportedly occupying around 900,000 ha in Thailand.

6 Dec 2019

VRA Seminar

17

## Feasibility of Increasing World Consumption

- Is it practical to increase world consumption by around 2.5 million tonnes per year?
- If a country increases domestic consumption of NR by providing incentives, the benefits are:
  - i. Less dependence on imported end products, and
  - ii. Creation of employments.
- But, it cannot increase the world consumption of NR. It helps only a geographical shifting of manufacturing.

6 Dec 2019

VRA Seminar

18



## Feasibility of Increasing World Consumption (Contd).

- Can the demand be increased by providing interest-free or soft loans to manufacturing units?
- It is true that such soft loans can help domestic value-addition of raw rubber.
- Unless there are additional demand for manufactured products, these products will remain unsold and build up stock of manufactured products.
- It will reduce the manufacturing activity in the succeeding period.
  - This is similar to the popular programme called “Cash for Clunkers” implemented by the US administration under Obama to revive the automobile industry following the Lehman Brothers crisis.

6 Dec 2019

VRA Seminar

19

## How long the Excess Production Capacity can Remain?

- The excess production capacity can remain at least till 2024 or 2025 unless any of the following happens?
  - i. There is large-scale felling of trees either for replanting or for shifting to alternate land uses.
  - ii. There is large-scale perishing of trees or large-scale loss in output due to spread of diseases, adverse climate, etc.
  - iii. There is rebound in world economy and the demand for NR.

6 Dec 2019

VRA Seminar

20

## Global Shortage

- Due to the considerably low rate of planting 2016 onwards, only a limited extent of trees will be newly opened for tapping from mid-2020s onwards.
- From mid-2020s onwards, the area to be newly opened for tapping will be considerably lower than the area to be uprooted on expiry of economic life.
- The above situation is expected to result in a shrinkage in mature area from mid-2020s onwards.
- The world is expected to witness severe shortage of NR for about 10 years beginning from the second half of 2020s.

6 Dec 2019

VRA Seminar

21

## Planting Policies to Take Advantage of the Emerging Situation

- Hevea is a long-gestation crop having about 20 years economic life. Therefore, the planting policies should not be based on the current demand-supply situation. They should be based on the anticipated demand-supply situation after seven years.
- What should be the ideal planting policy if the excess production capacity is anticipated up to mid-2020s and severe shortage is anticipated for about 10 years beginning the second half of 2020s?

6 Dec 2019

VRA Seminar

22

## “Concept Paper on Equitable Market” Contingency Plan Formulated by ANRPC in 2008

- The Concept Paper prescribed the following planting strategies:
  - ✓ If the shortage is anticipated in long-term future, go for large-scale accelerated replanting. New-planting should not be controlled if shortage is anticipated in long-term future.
  - ✓ Putting restriction on expansion of area and or promoting shift to other land-uses should be considered only if an excess supply is anticipated in the long-term future.

6 Dec 2019

VRA Seminar

23

# Thank you

6 Dec 2019

VRA Seminar

24



# US-China Trade Tensions and Impacts on the Global Rubber Industry

Mr Salvatore Pinizzotto  
International Rubber Study  
Group (IRSG)

VRA Seminar  
6th January 2019  
Nha Trang City – Viet Nam

## About International Rubber Study Group (IRSG)

2

- **Who are we?**
- Established in 1944 as an **inter-governmental** organisation, headquartered in London, UK
- As of July 2008, the Group has been based in **Singapore**.
- IRSG is the **forum for discussion** of matters affecting the supply and demand for natural as well as synthetic rubber.
- Authoritative source of statistical **data and analysis** for all aspects of the rubber industry.
- IRSG has 36 **member countries**.



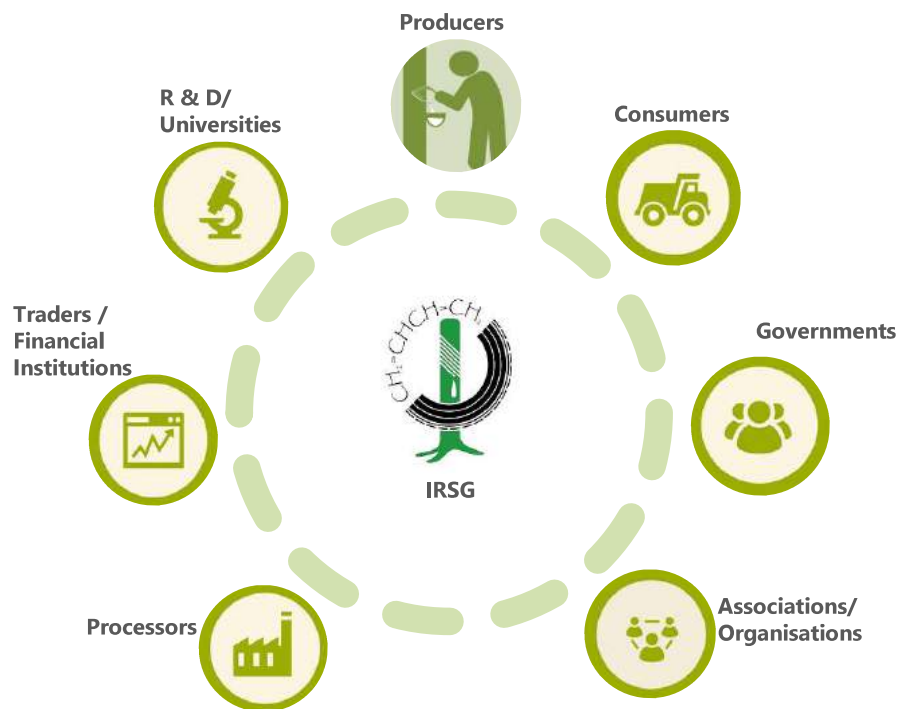
IRSG has a network of **more than 100 Industry Members**





# IRSG is the Global Platform for the Rubber Sector

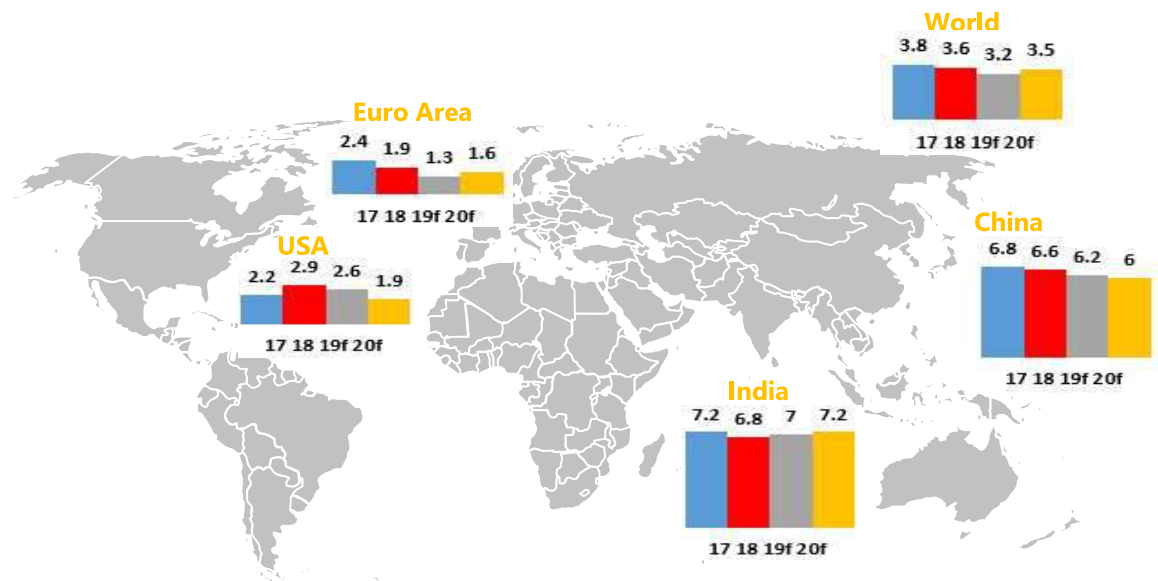
3



## Global economic growth at 3.2%

### Growth momentum is subdued, and downside risk is rising

5

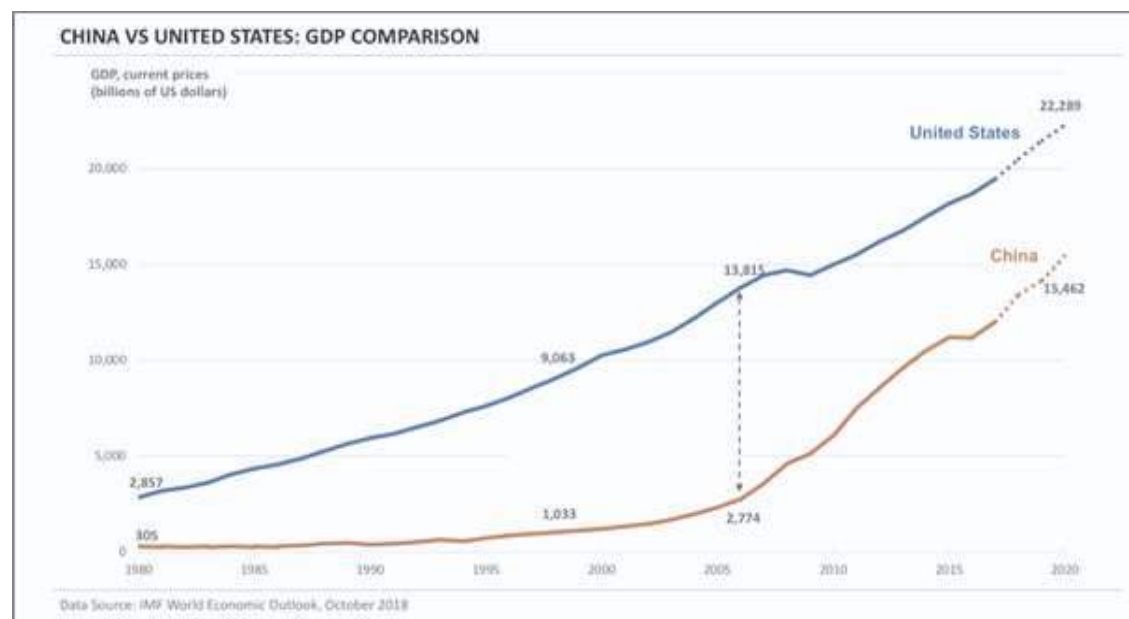


Source: IMF July WEO



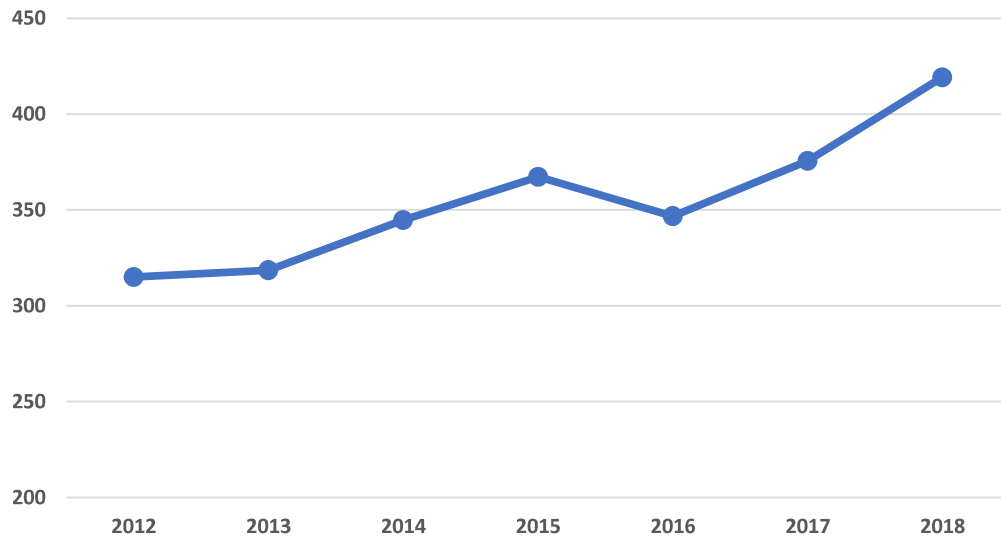
## The US and China are the largest economy in the world. China is the fastest growing export market for US goods.

6



## U.S. Trade deficit with China (billion US\$)

7



Source: U.S. Census Bureau



## Timeline of the Trade War

8

Increase in import tariffs from US against China and vice versa (in billions of US dollars)

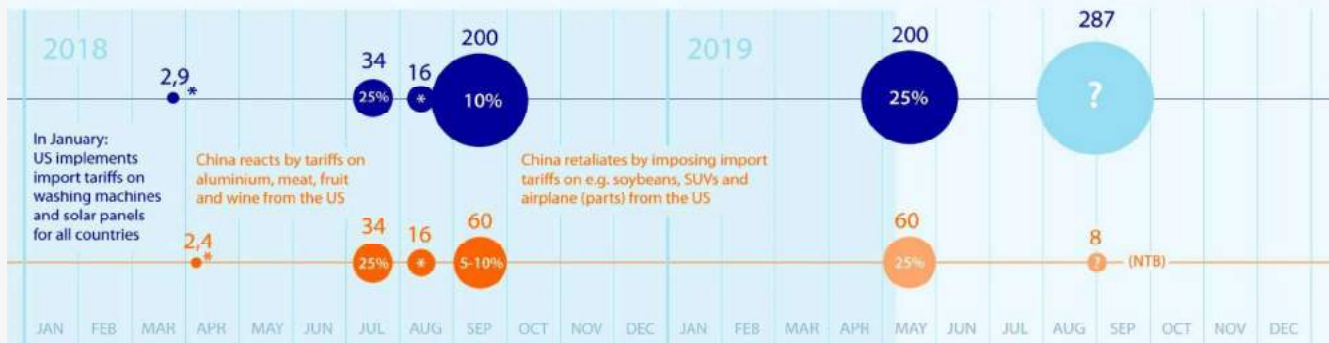
● = US against China ● = China against US

Trump levies import tariffs on steel (25%) and aluminium (10%)

The US implements tariffs on USD 50bn of Chinese export goods (mainly electrotechnical goods), in two tranches of USD 34bn and 16bn

The US ups the ante on 24 September, by raising tariffs on USD 200bn of Chinese export goods (e.g. electrotechnical products, rice, textiles)

Will all bilateral trade between China and the US be subject to higher tariffs?



Source: Rabobank Research



## Value of US tariffs proposed and implemented (\$ bn)

9



Source: Goldman Sachs



## US Imports from China shrank...but imports from Vietnam are popping.

10

In the first nine months of this year, U.S. imports from Vietnam jumped 34.8% year on year, accelerating from a 5.8% gain in all of 2018.

In comparison, U.S. imports from mainland China shrank 13.4% year on year in the January-to-September period.

Tariffs were a major reason behind the decline in U.S. imports from China.

Vietnam's fastest growing export categories to the U.S. are computers, telephone equipment and other machinery.

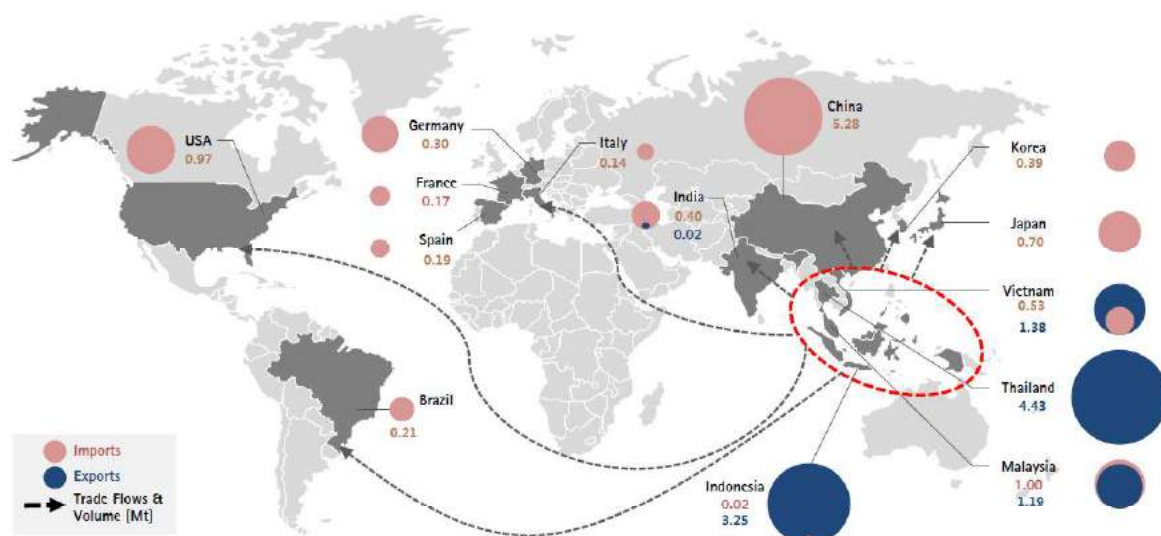
Source: IHS Markit





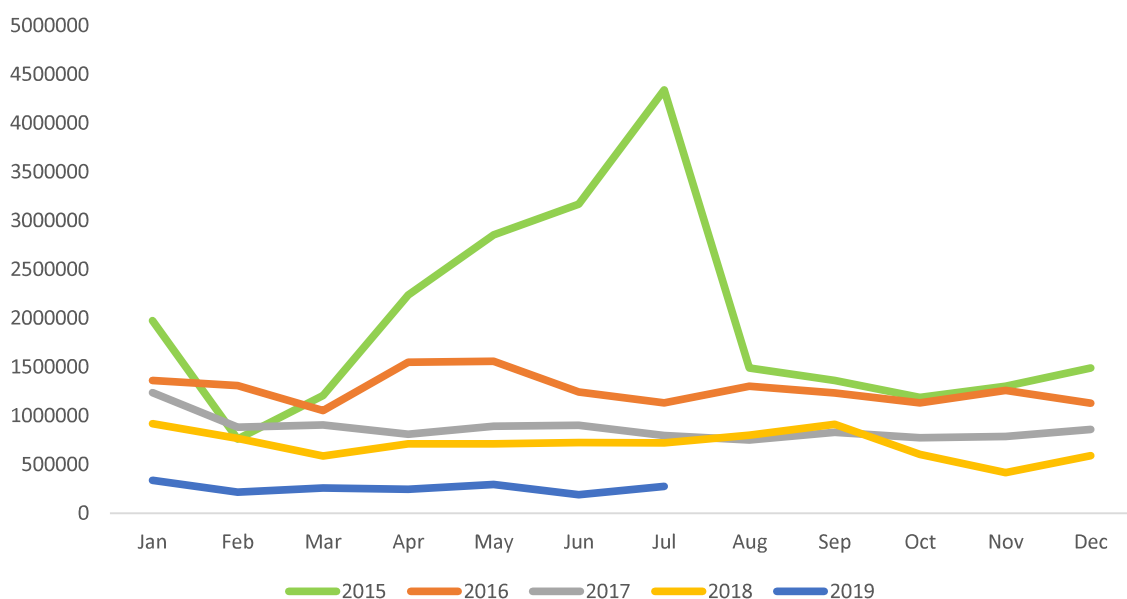
# China is the major driver for global NR Consumption and Trade

11



## US Import PCT from China

12

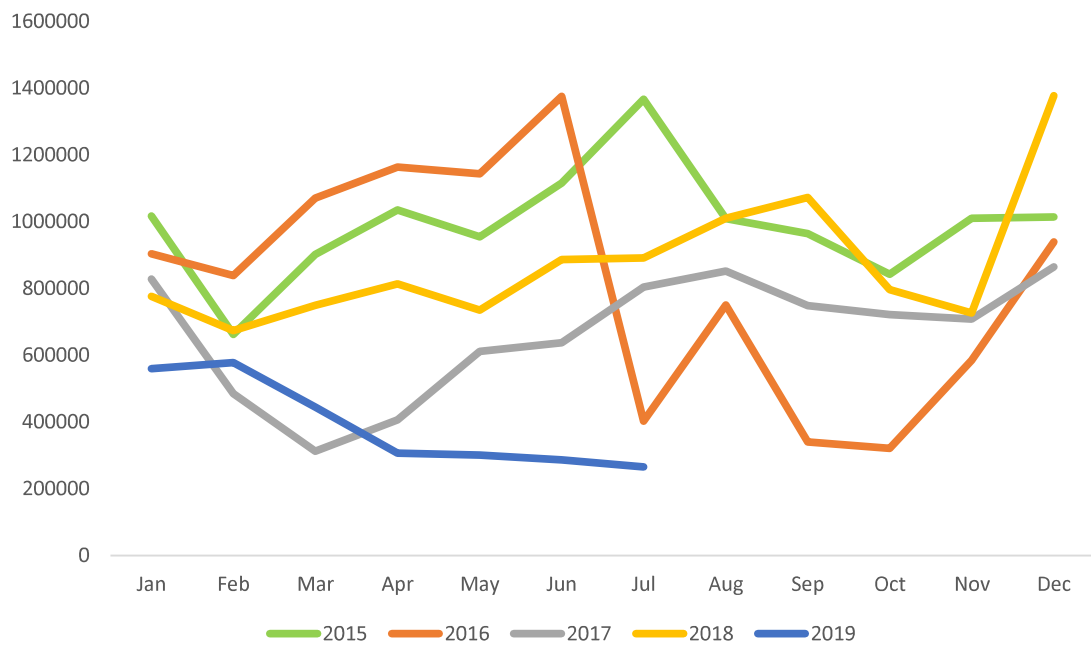


Source: US ITC



## US Import TBR from China

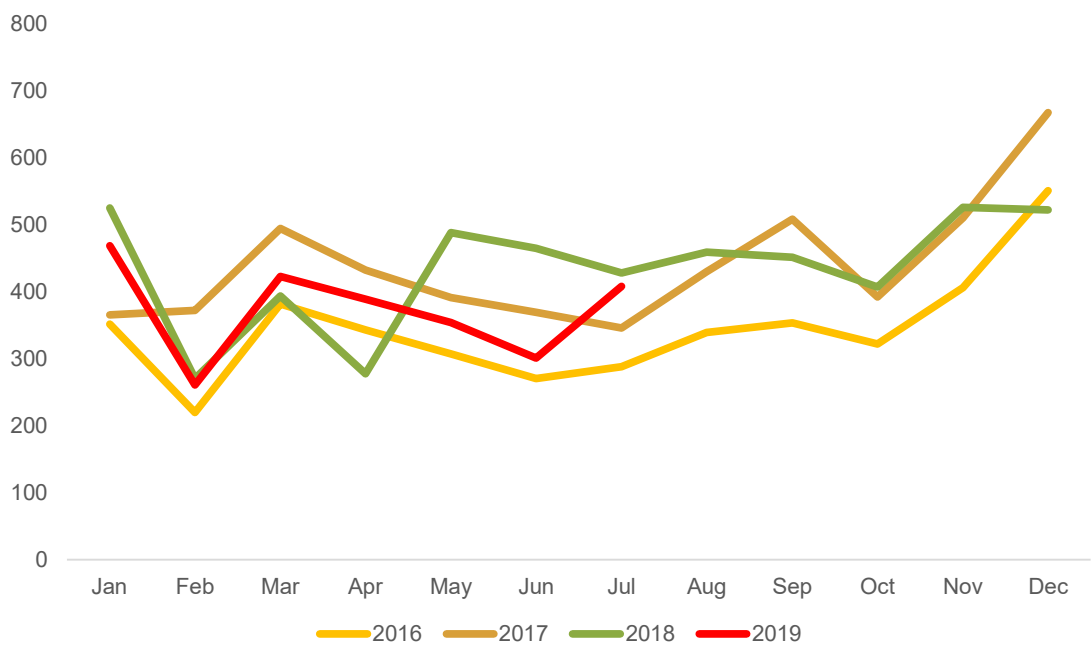
13



Source: US ITC

## China NR Imports

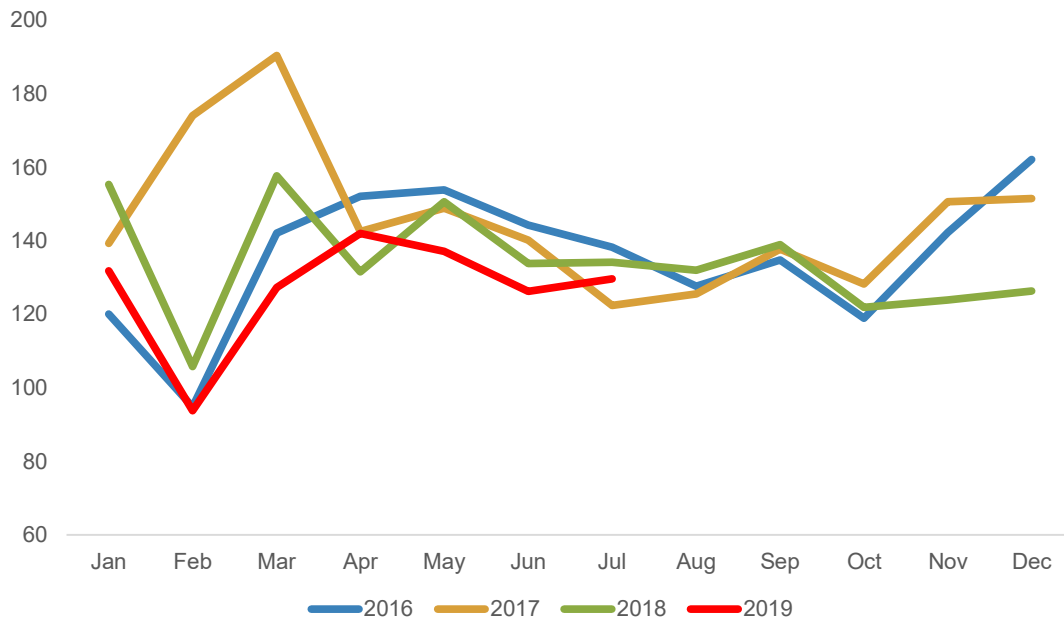
14



Source: IHS GTA

## China SR Imports

15



Source: IHS GTA



## Chinese Tyre Investments Overseas

16

Year	Tyre Company	Plant Location	Capacity
2012	Sailun	Vietnam	7.8 million units half-steel radial tyre
2013	Linglong	Thailand	12 million units half-steel + 1.2 million units full-steel
2015	Zhongce	Thailand	5 million units PCT + 0.7 million units TBR
2015	Sentury	Thailand	12 million units half-steel
2016	Double Coin	Thailand	1.5 million units truck tyre
2018	Triangle	Thailand	5 million units PCT+1 million units CVT
2018	Jiangsu General	Thailand	1 million units full-steel + 6 million units half-steel
2019	Linglong	Serbia	13.6 million units radial
2019	Guizhou Tyre	Vietnam	1.2 million units full-steel
2019	Maxtrek	Malaysia	6 million PCT and light truck tyre



## USA PCT and TBR Import

17

PCT import	China %	Thailand %	TBR import	China%	Thailand%
2016	10%	14%	2016	23%	13%
2017	7%	17%	2017	20%	17%
2018	5%	19%	2018	25%	21%
2019 YTD	2%	19%	2019 YTD	11%	27%



## Conclusions

18

- A prolonged trade war between the two largest consumers of rubber and rubber products will have wide range of implications at varying degrees on the natural rubber and synthetic rubber industry worldwide.
- Rubber product capacities, especially tyre capacity from China, relocated to South-East Asian NR producing countries as an alternate low-cost production base with easy access to raw materials.
- A potential risk of the trade war is the extend of its impact driven by market sentiments on tariff increase and the resultant hit on the global GDP level.



## IRSG World Rubber Summit 2020

19



**Abidjan, Côte d'Ivoire**  
**5-6 May 2020**  
**Sofitel Hotel Ivoire**



## IRSG Photo Competition 2020

20

*Rubber is a Community*



Deadline for submissions

**28 February**  
**2020**

[irsgphoto2020@rubberstudy.com](mailto:irsgphoto2020@rubberstudy.com)



**SICCRA**  
SINGAPORE INTERNATIONAL  
CHAMBER OF COMMERCE  
RUBBER ASSOCIATION



## #IRSGforResearch 2019



Initiated By



Award Granted By



### Call for Papers

The thematic focus chosen by IRSG for this year is:

***"How can rubber smallholders achieve sustainable development through rubber farming"***

Deadline for submission:

***20 February 2020***



**Cám ơn vì đã chú ý lắng nghe**





# Salvatore Pinizzotto

Secretary-General

## International Rubber Study Group

51 Changi Business Park Central 2  
6th Floor, Unit Number 04 & 05  
Singapore 486066

Tel: +65 6588 0463 Ext. 200

Email: [salvatore@rubberstudy.com](mailto:salvatore@rubberstudy.com)  
[secgen@rubberstudy.com](mailto:secgen@rubberstudy.com)

Web: [www.rubberstudy.com](http://www.rubberstudy.com)



International  
Rubber Study Group



View my digital  
Business Card

Scan to  
keep in touch!





# Global Platform for Sustainable Natural Rubber



## Global Platform for Sustainable Natural Rubber

For a fair, equitable and  
environmentally sound  
natural rubber value chain.

## Natural Rubber

- Key ingredient in tires and many other products
- 70% going to tire production
- Mostly grown in Asia
- 85% smallholders
- Growing demand - sustainability issues to address: Environmental, Social, Economic



## What is the GPSNR?

- Initiated by CEOs of the World Business Council for Sustainable Development's (WBCSD) Tire Industry Project (TIP) in 2018 and driven by a Working Group of TIP member companies.
- Continued development by stakeholders from the natural rubber value chain: Producers, Processors, and Traders; Tire Makers and Other Natural Rubber Makers/Buyers; Car Makers, Other Downstream Users, and Financial Institutions; Civil Society.
- The GPSNR will define sustainability for the natural rubber supply chain.



## ■ About WBCSD

- WBCSD is a global, CEO-led organization of over 200 leading businesses working together to accelerate the transition to a sustainable world.
- Helps make member companies more successful and sustainable by focusing on the maximum positive impact for shareholders, the environment and societies.
- Member companies come from all business sectors and all major economies, representing a combined revenue of more than USD \$8.5 trillion and 19 million employees.
- The Tire Industry Project (TIP) operates under the umbrella of the WBCSD, at WBCSD headquarters, Geneva.

## ■ About the Tire Industry Project (TIP)



A CEO-led project.  
Founded in 2005 by member  
CEOs



Primary global forum for the  
tire industry on sustainability  
issues



Focus on health &  
environment aspects of tire  
life cycle

## GPSNR MEMBERS



## GPSNR AFFILIATE MEMBERS





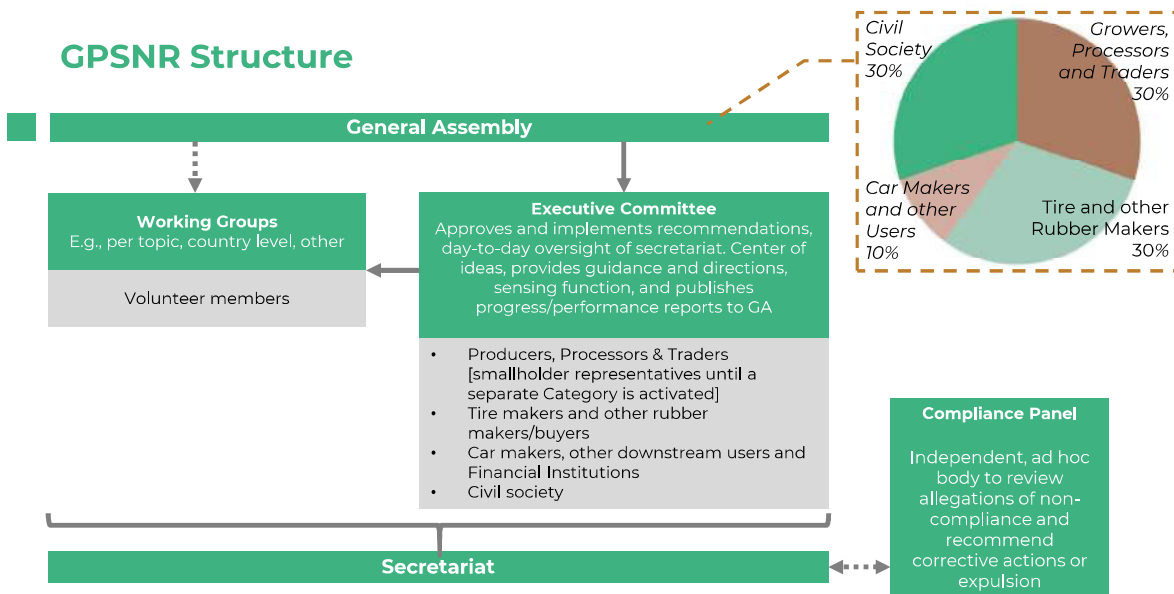
## Vision

*A fair, equitable and environmentally sound natural rubber value chain.*

## Mission

*To lead improvements in the socio-economic and environmental performance of the natural rubber value chain.*

## GPSNR Structure

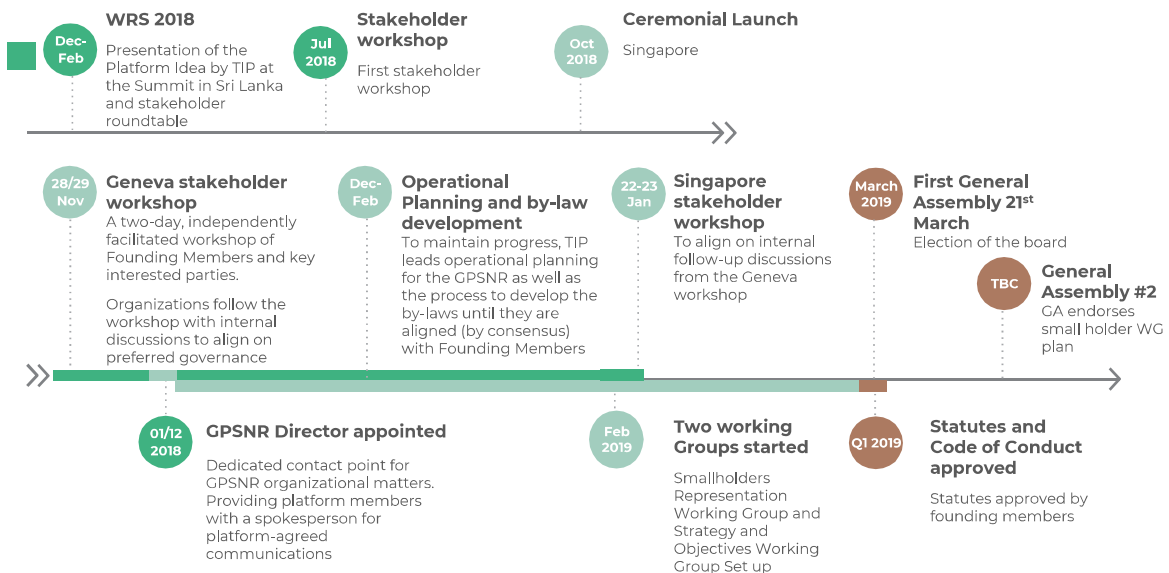




## EXECUTIVE COMMITTEE MEMBERS



## WHAT HAS HAPPENED SO FAR?



## WORKING GROUPS



### **Smallholders Representation**

WG

- Definition of Rubber Smallholders, Dealers
- Propose model for smallholders representation

### **Strategy and Objectives**

WG

- Define “Desired State”, what impacts do we need to achieve?
- How to get there, what are different stakeholders' roles? What is the platform working model?

## WORKING GROUPS



### **Strategy 1: Sustainability Policy Toolbox and Best Practices Guidance**

WG

### **Strategy 2: Support Capacity Building for Smallholders and Plantations inclusive of Production Planning and Operations**

WG

### **Strategy 3: Enhance traceability and transparency in the Natural Rubber Supply Chain to support the identification and mitigation of social and environmental**

risks  
WG



## Why participate?

As a member of the platform, you will have the chance to:

- Set the agenda for sustainable natural rubber
- Improve the resilience and productivity of your supply chain
- Leverage the outcomes of collaborative efforts and research, and access innovative tools
- Lend your experience and expertise and collaborate to help the platform achieve its goals
- Demonstrate leadership and contribute to the UN Sustainable Development Goals



## Member Commitments

New members are asked to commit to the Vision and Mission of the platform, and to a set of principles laid out in the Founding Member Statement.

Aligned with a small group of stakeholders following the Singapore Workshops, it includes the Vision and Mission of the platform, and commitment to:

- Integrate principles into purchasing decisions or issue policy consistent with principles
- Collaborate with the GPSNR
- Engage relevant Stakeholders

And, 12 sustainable natural rubber principles



## ■ Founding Members' Principles

- Forest sustainability
- Water management
- Land rights (FPIC)
- Labor rights
- Human rights
- Equity
- Traceability
- Transparent reporting
- Anti-corruption
- Grievance mechanism
- Auditing protocols
- Training & Education



## ■ Membership fees

The WBCSD Tire Industry Project (TIP) has committed to finance the first two years of GPSNR operations. New members' contributions are as follows for 2019:

### **For Ordinary Members:**

- USD20,000 if revenue  $\geq$  USD 10 billion;
- USD15,000 if revenue  $\geq$  USD 1 billion but  $<$  USD 10 billion;
- USD10,000 if revenue  $\geq$  USD 100 million but  $<$  USD 1 billion;
- USD5,000, if revenue  $\geq$  USD 10 million but  $<$  USD 100 million;
- USD2,000, if revenue  $<$  USD 10 million; and
- USD2,000 if civil society or other non-profit organization.

### **For Affiliate Members:**

- USD500 for organizations; and
- USD100 for individuals.

For Non-Profit Organizations, a fee reduction from \$2000 to \$500 could be granted on a case by case basis: applications should be submitted to the secretariat, and will be validated by the platform Executive Committee.





# THANK YOU

**GLOBAL PLATFORM FOR SUSTAINABLE NATURAL RUBBER**

2 Science Park Drive, #01-03 Ascent, Singapore

[info@gpsnr.org](mailto:info@gpsnr.org)

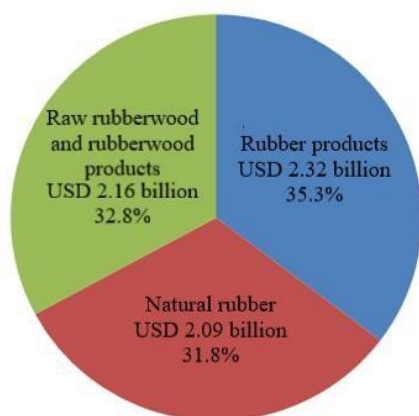
[gpsnr.org](http://gpsnr.org)

## THE VIETNAM RUBBER ASSOCIATION

### DEVELOPMENT OF THE RUBBER INDUSTRY AND VRA'S ACTION PLAN

#### I. The status of Vietnam's rubber industry

##### Export revenue of Vietnam's rubber industry



In 2018, the total export revenue of Vietnam's rubber industry was estimated at approximately USD 6.6 million. In which, the export revenue of rubber products reached USD 2.32 billion, accounting for 35.3% of the total export revenue of Vietnam's rubber industry, up to 32.9% in the same period last year. The export revenue of natural rubber as well as raw rubberwood and rubberwood products achieved roughly USD 2.09 billion and USD 2.16 billion respectively, accounting for 31.8% and 32.8% of the total export revenue respectively.

*Source: General Department of Vietnam Customs, The Vietnam Rubber Association*

#### 1. Vietnam's natural rubber in 2018

##### a. Output

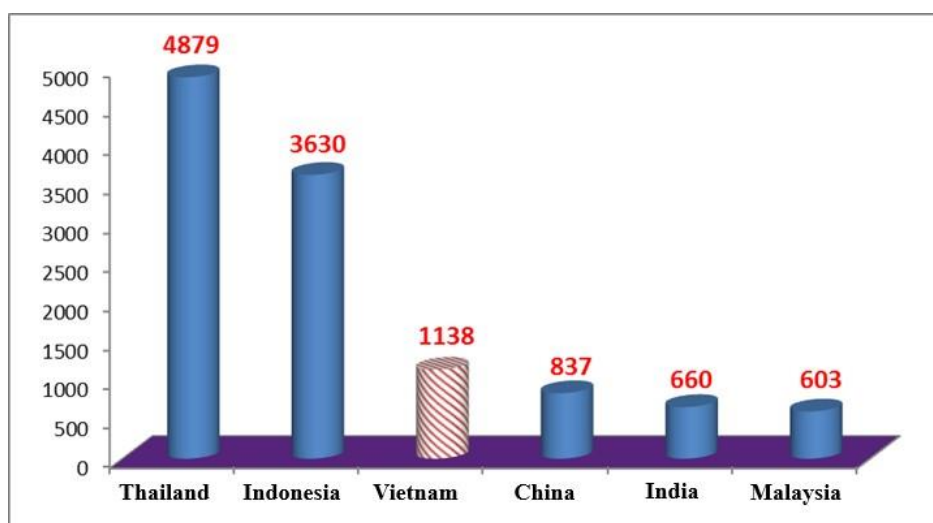
In 2018, Vietnam had 966.800 hectares of rubber plantation, a slight decrease of 2.900 hectares compared to 2017. The tapping area showed a considerable expansion, increasing by roughly 36.300 hectares (5.6%) to 689.500 hectares due to impressive growth of rubber plantation in the period from 2008 to 2009. In 2018, the natural rubber's output rose up to 3.9% to 1.138 million tons and the average yield achieved 1.650 kg per hectares, down slightly 1.6% in the same period last year. However, Vietnam 2018 continued maintain its leading position when it comes to the average yield from rubber plantation compared to other rubber growers in Asia.

##### Rubber area, output and yield in Vietnam from 2014 to 2018

Year	Rubber plantation (ha)	Rubber tapping area (ha)	Rubber untapping area (ha)	Output (ton)	Yield (kg/ha)
2014	978.900	570.000	408.900	966.600	1.696
2015	985.600	604.300	381.300	1.012.700	1.676
2016	973.500	621.400	352.100	1.035.300	1.666
2017	969.700	653.200	316.500	1.094.500	1.676
2018	966.800	689.500	277.300	1.137.700	1.650
2018/2017 (%)	-0,3%	5,6%	-12,4%	3,9%	-1,6%

*Source: General Statistics Office, Provincial Statistics Offices, Departments of Agriculture and Rural Development; the Vietnam Rubber Association*

## Natural rubber output of Vietnam and other leading countries in 2018 (thousand tons)



*Source: The Association of Natural Rubber Producing Countries (May 2019)*

Vietnam continued to rank third globally in natural rubber production in 2018, representing 8.1% market share of the global market after Thailand and Indonesia.

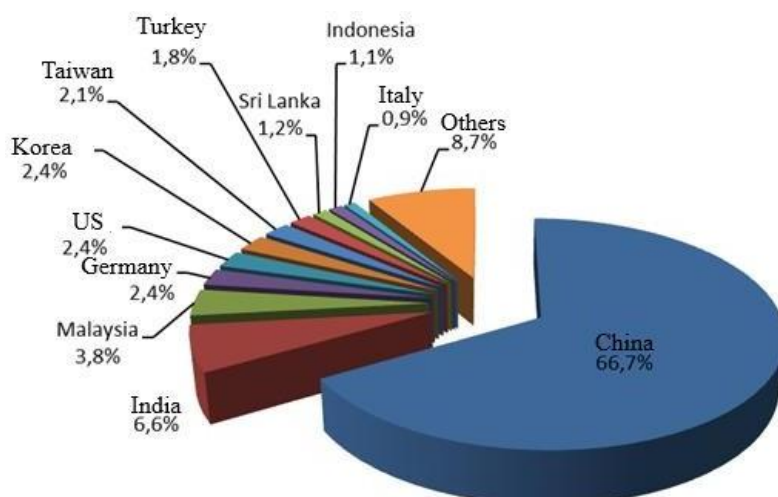
### **b. Import and export:**

In terms of rubber exports, Vietnam continued to stay in the position of third largest rubber exporter in the world after Thailand and Indonesia. Natural rubber exports in 2018 achieved 1.563.448 tons, equivalent to USD 2.09 billion, increasing by 13.2% in volume and decreasing 7.1% in value. The average export price reached 1.338 USD per ton. Natural rubber is Vietnam's fifth largest agricultural export (after coffee, cashew nuts, vegetables and rice)

Vietnam supplied natural rubber to more than 80 countries around the world in 2018. China is the largest natural rubber export partner of Vietnam, accounting for 66.7% of total export volume. Other major importers include India (6.6%), Malaysia (3.8%), Germany (2.4%), US (2.4%), Korea (2.4%), Taiwan (2.1%), Turkey (1.8%), Sri Lanka (1.2%), Indonesia (1.1%), Italy (0.9%), and Others (8.7%).

In 2018, natural rubber was mainly exported in the form of compounded rubber (HS 400280 - Mixtures of natural and synthetic rubber), accounting for 52.6%. China imported nearly 99% of above compounded rubber. Other forms of natural rubber exported was SVR 10 (13%) and SVR 3L (11.9%).

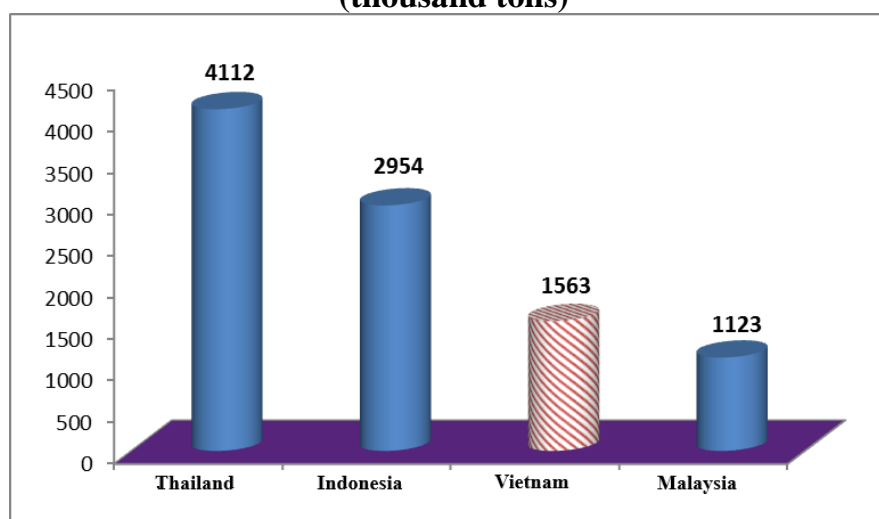
### **Vietnam's natural rubber exports by countries in 2018**



*Source: General Department of Vietnam Customs, The Vietnam Rubber Association*



**Natural rubber exports of Vietnam and other leading countries in 2018  
(thousand tons)**



*Source: The Association of Natural Rubber Producing Countries (May 2019)*

**Vietnam's natural rubber imports and exports from 2014 to 2018**

Year	Export volume (ton)	Export revenue (thousand USD)	Export price (USD/ton)	Import volume (ton)
2014	1.066.134	1.780.080	1.670	252.600
2015	1.137.368	1.531.469	1.347	300.000
2016	1.252.990	1.669.601	1.332	418.300
2017	1.381.052	2.249.775	1.629	526.600
2018	1.563.448	2.091.134	1.338	583.100

*Source: General Department of Vietnam Customs, The Vietnam Rubber Association*

**2. Vietnam's rubber products in 2018:**

**Import and export**

From 2016 to 2018, the export revenue of rubber products enjoyed robust growth with a compounded annual growth rate (CAGR) of 18% per year. It was worth USD 2.32 billion, up 6.7% compared to 2017 (USD 2.18 billion). Main export products in 2018 include tires (with a share of 45%); other articles of vulcanised rubber (21.5%), rubber insoles (11.1%), rubber articles of apparel and clothing accessories (7.7%), rubber inner tubes (3.5%), etc.

However, Vietnam still imported USD 2.05 billion worth of rubber products, up 8.7% compared to 2017. Main import products include other articles of vulcanised rubber (with a share of 29.4%), tires (19.6%), rubber articles of apparel and clothing accessories (12.0%), rubber insoles (9.8%), etc.

### Export revenue of Vietnam's rubber products in 2018

No.	Rubber exports	HS-code	Million USD	Share (%)
1	Tires	4011	1.043,6	45,0
2	Other articles of vulcanised rubber	4016	498,4	21,5
3	Insoles	6406	257,5	11,1
4	Articles of apparel and clothing accessories	4015	177,9	7,7
5	Inner tubes of rubber	4013	82,1	3,5
6	Plates of rubber	4008	61,4	2,6
7	Retreaded tires of rubber	4012	49,8	2,1
8	Tubes, pipes and hoses of rubber	4009	44,0	1,9
9	Rubber thread and cord, textile covered	560410	38,8	1,7
10	Conveyor or transmission belts of rubber	4010	30,0	1,3
11	Mattresses	940421	11,3	0,5
12	Rubber articles and equipment for general physical exercise	9506	10,7	0,5
13	Rubber thread and cord	4007	7,9	0,3
14	Pharmaceutical articles of rubber	4014	7,1	0,3
15	Hard rubber	4017	1,1	0,1
	<b>Total</b>		<b>2.321,6</b>	<b>100,0</b>

Source: General Department of Vietnam Customs, The Vietnam Rubber Association

### Import revenue of Vietnam's rubber products in 2018

No.	Rubber imports	HS-code	Million USD	Share (%)
1	Other articles of vulcanised rubber	4016	604,0	29,4
2	Tires	4011	401,8	19,6
3	Articles of apparel and clothing accessories	4015	247,3	12,0
4	Insoles	6406	201,8	9,8
5	Conveyor or transmission belts of rubber	4010	162,2	7,9
6	Plates of rubber	4008	155,6	7,6
7	Tubes, pipes and hoses of rubber	4009	116,2	5,7
8	Rubber thread and cord, textile covered	560410	96,6	4,7
9	Rubber thread and cord	4007	24,3	1,2
10	Pharmaceutical articles of rubber	4014	23,7	1,2
11	Retreaded tires of rubber	4012	7,6	0,4
12	Inner tubes of rubber	4013	5,3	0,3
13	Hard rubber	4017	3,3	0,2
14	Mattresses	940421	2,3	0,1
15	Rubber articles and equipment for general physical exercise	9506	0,5	0,1
	<b>Total</b>		<b>2.052,5</b>	<b>100,0</b>

Source: General Department of Vietnam Customs, The Vietnam Rubber Association

### 3. Vietnam's raw rubberwood and rubberwood products in 2018

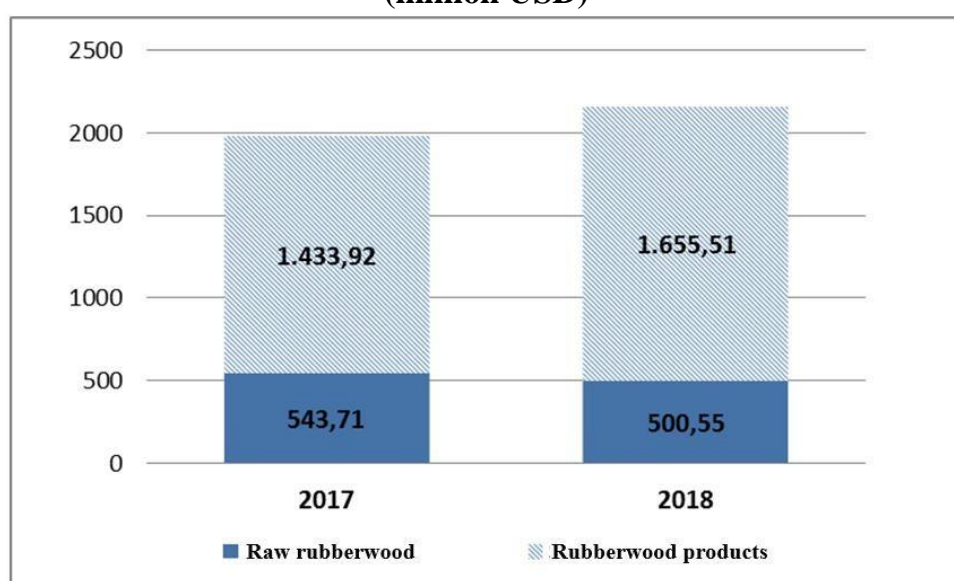
#### Import and export

The export revenue of raw rubberwood and rubberwood products in 2018 achieved nearly USD 2.16 billion, up 9.0% compare to USD 1.98 billion in 2017; accounting for 32.8% of total export revenue of rubber industry.

Rubberwood (raw rubberwood and wood products) accounts for 24.2% of total export revenue of wood industry in Vietnam. Raw rubberwood and rubberwood products made up for 19.2% and 26.2% of total wood export volume, respectively.

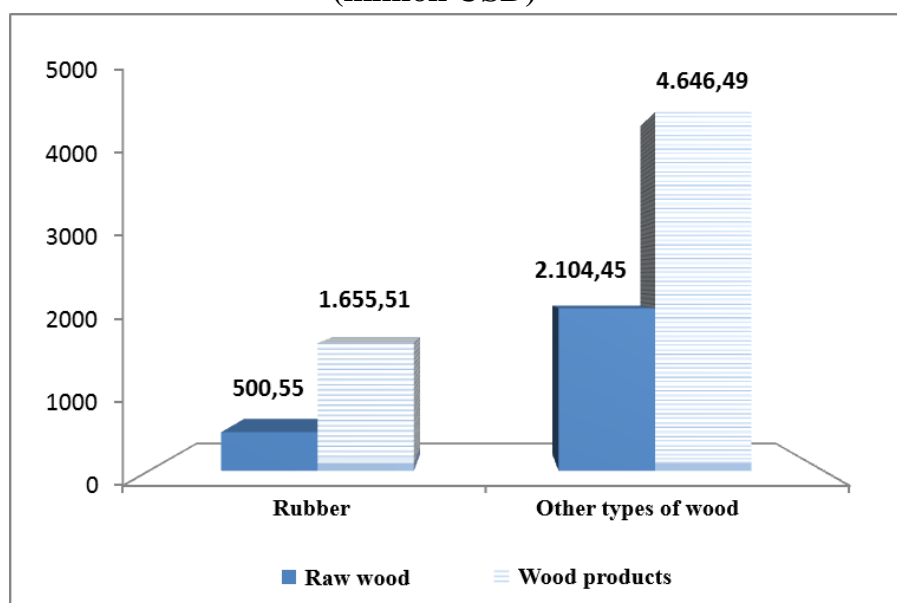
In 2018, rubberwood products continued to hold a higher share than that of raw rubberwood in export volume. While rubberwood products earned USD 1.66 billion, equivalent to 76.8%; raw rubberwood achieved USD 501 million, equivalent to 23.2%.

#### Export revenue of raw rubberwood and rubberwood products, 2017 – 2018 (million USD)



Source: General Department of Vietnam Customs, The Vietnam Rubber Association

#### The contribution of rubberwood in Vietnam's wood exports in 2018 (million USD)



Source: General Department of Vietnam Customs, The Vietnam Rubber Association



Although Vietnam is an exporter of rubberwood, Vietnam still needs to import rubberwood from other countries in small quantities in order to have enough supply for domestic demand. In 2018, Vietnam imported USD 16.34 million worth of rubberwood. In particular, Malaysia is the most important exported, accounting for 42.8% of import revenue, followed by Cambodia (15.7%), Myanmar (8.5%) Thailand (7.5%), etc.

## **II. Advantages and difficulties in rubber production and trading**

### **a. Advantages**

Over the past few years, Vietnam remains the leading country in rubber yield in Asia as well as third largest rubber producer and exporter in the world. In the face of numerous challenges in production activities, rubber industry makes great efforts to respond to changes in the markets as well as shows determination to develop various industry growth strategies. These results are all thanks to below advantages:

- *The close attention that the Government, ministries, agencies and localities pay to rubber industry, thereby, assisting industry in eliminating obstacles in business as well as facilitating its development:*

Grant tax exemption on natural rubber exports (October 2014); grant tax exemption on PE package used for preserving rubber exports; relax the regulations on plan quarantine procedures for rubber exports (2012); develop national technical regulation on the effluent of natural rubber processing industry in a feasible manner, aligning with the status of the industry (2015); grant exemption on rental fees for land use rights during the first stages of replanting rubber (2016); grant tax reduction and exemption on corporate income for rubber growers and processors (2015); grant import duty exemption on three compounded rubber products which has yet to produce domestically (2016); grant tax reduction and exemption on equipment and materials used for rubber production and processing (2016); announce a list of Vietnamese prestigious exporters annually, etc. In addition, a number of policies supported rubber industry greatly in aligning industry orientation with market trends, enhancing added value and promoting sustainable development. These policies include Decision No. 899/QĐ-TTg of the Prime Minister dated June 10, 2013 on “Approving the project Agricultural restructuring towards raising added values and sustainable development”; Decision No. 4665/QĐ-BCT of the Ministry of Industry and Trade dated on May 14, 2015 on “Approving the Master plan for developing manufacture of Vietnamese rubber products by 2025 with a vision to 2035”, etc.

- *Rubber products and rubberwood add values to the rubber industry:* The rapid development of rubber product and rubberwood processing sector contributes to accelerate rural industrialization and modernization.

- *High-yielding varieties and farming techniques are upgraded consirably:* Farming techniques developed by Rubber Research Institute of Vietnam and other organizations are widely applied in rubber industry. As a result, the latex and wood yield of the rubber trees represents continous improvement in various areas.

- *Rubber plantation increased the diversity of income sources:* Intercropping rubber with other crops, raising animals on rubber area and using agroforestry models shall minimise risks related to fluctuating markets and prices. These measures also increase incomes and land use efficiency.

- *International economic integration promotes sustainable development of rubber industry:* Free trade agreements and international collaboration offers great opportunities for Vietnam's rubber industry to attract more international investment, enjoy tariff concessions, succeed in penetrate further into global supply chain, stay abreast of latest technologies as well as market news and trends in sustainable development of rubber industry.

- *Certification mark "Vietnam Rubber" are granted protection in Vietnam and several key export markets:* In order to develop brand name for rubber industry in Vietnam, enhance competitiveness and reputation of the Association's member as well as rubber enterprises, the Vietnam Rubber Association implemented the project "Building up the Vietnam Rubber Industry Brand". Since 2014, certification mark "Vietnam Rubber" has been granted protection in domestic market and several key export markets (China, India, and Taiwan) and used as legal basis for industry brand. Registration for Certification mark "Vietnam Rubber" officially came into effect since the end of 2016. Up to date, there are 14 enterprise members received certification mark for 67 products produced in the factories. The main mission of the certification mark "Vietnam Rubber" is ensuring product quality and enterprise reputation towards sustainability and compliance with environmentally and socially responsibility.

#### **b. Difficulties**

Along with advantages and opportunities that rubber industry benefits from international economic integration, it faces plenty of difficulties and challenges caused by market trends and domestic policies that restrain industry competitiveness.

- *Excess supply might persists over a longer period, forcing many enterprises to lower their prices:* The global demand for natural rubber grows slowly while the rubber supply could see an upward trend again if the price goes up. Because over the period from 2005 to 2012, high-priced rubber contributed to expanding rubber plantation. Consequently, it seems quite difficult to push up rubber price by 2030.

- *Low crude oil prices put more pressure on natural rubber prices:* The competition between crude oil producing countries might cause excess supply and lower the price in the long term. This leads to the price of synthetic rubber produced from crude oil become cheaper and more attractive to consumers. For that reason, the price of natural rubber hardly rises.

- *Domestic competition occurs due to rubber exports:* According to Vietnam's free trade agreements, natural rubber imported into Vietnam enjoys a zero percent tax rate. This encourages enterprises to import rubber from Thailand, Malaysia, Indonesia, etc. because of its quality and diverse categories. Rubber imports fuels competitive pressure in domestic market.

- *The quality management system for natural rubber is not yet comprehensive:* Up to date, only a number of large-scale enterprises invested in quality management practices for natural rubber and there are no agencies established to carry out quality control for rubber supplied by smallholders. That is why many consumers base their requirements of reducing rubber prices lower than world prices on inconsistent rubber quality. On the other hand, Vietnam has only developed national standards for the output of natural rubber so far. Because there are no national standards for the raw materials, regulators have no legal basis to prevent rubber from being contaminated with impurities. The impurities have negative impact on the quality of latex processing factories.

- *Several tax policies cause bottlenecks:* Rubber enterprises that has yet to subject to tax policies do not have to declare and pay value-added tax for their processed rubber products like other processed agricultural products. It reduces competitiveness of rubber products compared to that of other agricultural products as well as makes domestic rubber products less attractive than those from other countries. In addition, income tax on the liquidation of rubber plantation is not as favorable as that of other agricultural products.

- *Raw materials for rubberwood are subject to considerable fluctuation:* Rubberwood processing sector has developed dramatically in recent years and contributed to 30% of total export revenue of rubber industry. The major difficulty faces rubberwood sector is the considerable fluctuation occurs in the sources of raw materials. It is the result of the fluctuation in rubber plantation in which the liquidation are carried out to make ways for other cultivation. Liquidated plantation area fluctuate between the ranges from 5.500 hectares to 130.000 hectares per year. Therefore, rubberwood output changes in the range from 1 million to 26 million m<sup>3</sup> per year.

- *Latest information and statistics on rubber production and trading are not updated fully:* Because regulators can not keep abreast of latest information in the timely manner, they find it difficult to provide analysis, prediction and consultancy on markets and potential products to enterprises

- *Knowledge and experience on sustainable development are limited:* Rubber organizations and enterprises have just started focusing on sustainability. They need to develop and implement detailed and practical sustainability plans.

### **III. Government's orientation**

The Ministry of Agriculture and Rural Development issued Decision No. 245/QĐ-BNN-CBTTNS dated January 16, 2019 on approval for Plan on restructuring the processing of agricultural products towards enhancing competitiveness in line with market development by 2020, with a vision to 2030.

#### **1. Natural rubber**

##### ***About processing:***

- Maintain rubber plantation around 900.000 – 950.000 hectares. Develop rubber in a sustainable manner. Use rubber varieties which provide both latex and wood for wood processing industry. Reduce SVR 3L volume and increase SVR CV50, 60 (in case of largeholders), convert SVR 3L to RSS and SVR 10,20 (in case of rubber smallholders)

- Encourage investment in increasing rubber planting, tapping, processing and consumption in order to promote the establishment of rubber enterprises which operate in an advanced, modern manner. Specifically:

- + Enhance the capacity of dry latex processing to 1.2 – 1.5 million tons per year;
- + Turn processed rubber into industrial rubber products (inner tubes, gloves, cushions...); investment in drying machines using high-frequency waves
- + Establish laboratories to analyse and control quality of natural rubber, ensuring natural rubber quality meets international standards.

##### ***About market:***

- Collaborate closely with ANRPC countries to achieve better balance between natural rubber supply and global demand, minimize risks of price plunge in global market.

- Maintain partnership with traditional export markets, especially China. Conduct market diversification and expansion to potential new markets, focusing primarily on Japan.

## **2. Wood products (including rubberwood)**

### ***About processing***

- Ensure steady supply of raw materials: promote large-scale tree planting backed by sustainable forest management certification in order to meet the demand of legal and high-quality raw materials as well as ensure wood processing industry is supplied sufficiently.

- Design and transfer new models of wood furniture in line with consumer preference, reduce raw material use, build unique brand identity for Vietnamese wood furniture.

- Promote mechanization and automation in order to reduce labor costs, save and make use of raw materials for processing as well as ensure product consistency and quality.

- Invest in wood processing factories that apply advanced technologies and have capacity in line with each forests. Encourage investment in planting, harvesting, processing and consumption of wood in order to promote the establishment of wood processing enterprises which operate in an advanced, modern manner. Specifically:

  - + Build MDF fibreboard producing factories with a capacity of more than 120.000m<sup>3</sup> per year.

  - + Develop projects in which use waste from wood processing, wood glue and wood accessory production.

### ***About market:***

- Strengthen the collaboration and linkages between domestic wood producers with international enterprises in order to produce domestic wood furniture in accordance with international standard, meet the needs and wants of Vietnamese consumers.

- Develop electronic information system, supply wood producers with latest market information, laws and regulations of other countries on wood furniture; organize trade promotion event in potential markets such as Australia, Russia, Canada, India, Africa and South America.

- Accelerate the conclusion, ratification and implementation of bilateral and multilateral agreements on the production, processing and export of wood furniture.

## **IV. Recommendation on promoting rubber production and trading as well as sustainable development of rubber industry**

### **1. Recommendation on rubber plantation planning and management**

In the global rubber market, supply is expected to exceed demand by 2025. In this context, ministries, agencies, localities and enterprises need to review and update the status of rubber production in a timely manner. Therefore, we can have enough information to carry out the planning and management of rubber plantation and rubber output in line with market and ecological condition. This shall contribute to improving

supply-demand balance, increase rubber price, maximize rubber yield and economic efficiency, minimize risks for growers and emphasize the important role that rubber trees play in forest restoration, rehabilitation and protection.

On the other hand, the liquidation of rubber plantation with the aims of replanting new rubber trees or switching to plant other trees or making ways for other economic activities need to be planned closely. This shall contribute to achieving better balance between supply and demand of natural rubber as well as securing raw material supply.

## **2. Recommendation on quality management and natural rubber restructuring**

Strengthen State management in order to develop a coherent and comprehensive quality management system for natural rubber. This system needs to satisfy domestic and international standards as well as enhance competitiveness of rubber industry in Vietnam during economic integration. National technical regulations on latex need to be developed and issued in order to ensure steady supply of high-quality raw materials for latex processing factories. National Reference Laboratories for rubber quality analysis and test are required to organize training courses for other laboratories and act as an arbitrator in violation handling.

Besides, in order to enhance competitiveness of rubber industry in Vietnam and expand rubber production, rubber industry needs to be sponsored so it can conduct market research and survey as well as restructuring natural rubber production in line with customer demands.

## **3. Recommendation on the development of rubber product and rubberwood processing sector**

Regulators need to issue incentive policies to encourage enterprises, for example, grant tax incentives, build necessary technical barriers to trade, organize training courses, provide favorable geographic location and develop infrastructure, support trade promotion programs, update market information.... These policies are expected to add more value to industry, increase domestic consumption, decrease raw material exports, reduce dependency upon a limited number of export markets, and promote production and export of rubber products and rubberwood. Besides, regulators need to encourage linkages in rubber value chain, from raw materials to finished products, in order to minimize risks of fluctuating prices.

## **4. Recommendation on tax policies in order to facilitate rubber production and trading**

(1) *Value-added tax*: Ministries, agencies and localities need to unanimously require the Prime Minister and the Ministry of Finance to consider applying the same value-added tax policies of other products (such as coffee, pepper, cashew nuts, tea, rice...) on processed rubber. This shall facilitate export in the context that unfavorable prices might persist over a longer period. An increase in export revenue shall help enterprises pay more income tax to locality and state budget.

(2) (2) *Enterprise income tax from liquidation of rubber plantation*: The Association needs the support of Ministry of Agriculture and Rural Development to our proposals to the Ministry of Finance. These proposals for MOF to consider allowing the income from liquidation of rubber plantation to enjoy the same tax exemption policies which impose on other agricultural products (prescribed in the

Circular No. 96/2015/TT-BTC dated June 22, 2015 of the MOF). The current tax rate applied on the liquidation of rubber plantation is 22% while natural rubber is only subject to a tax rate of 15% or less and the income from liquidation of other agricultural products is duty-free.

#### **5. Recommendation on brand development of Vietnam's rubber industry**

The Vietnam Rubber Association has already implemented first few steps in building a brand name for Vietnam's rubber industry in order to enhance competitiveness, ensure product quality, and improve reputation of industry as well as leading enterprises. The Association is in dire needs of the support of regulators in developing a strong, practical and effective brand name for rubber industry, meeting enterprise needs and market trends and taking Vietnamese rubber products globally.

#### **6. Recommendation on sustainable development of rubber industry**

The rubber industry greatly contributes to developing national economy, improving the social conditions for rubber plantation and protecting the environment. However, in order for the rubber industry to continue its development, it is essential to have policies on defining orientation from the Government, action plans from ministries, agencies and localities as well as strategies aimed at managing and applying advanced technologies from enterprises. These shall restructure rubber industry, enhance added value, promote sustainable development, meet market demands, reduce risk related to income, ensure land use rights for producers, introduce environmentally-sound high technologies and smart agriculture to production, save energy, lessen emissions, proactively respond to climate change and market fluctuation, diversify income from encouraging growers to integrate biodiversity into rubber plantation.

### **V. Action plan of the Viet Nam Rubber Association**

In recent years, the trend of sustainable development and responsible production has led to many changes in the rubber industry in order to meet market requirements for higher quality with competitive prices and economic efficiency and social and environmental responsibility. With the role assigned by the Government in supporting members and enterprises in the rubber industry to operate effectively, contributing to the sustainable development of the rubber industry and socio-economic of the country, VRA will focus on the following tasks:

#### **1. Developing the Trademark of the industry through the Certification mark of "Viet Nam Rubber" on natural rubber, rubber products and rubber wood**

Certification mark "Viet Nam Rubber" has been protected by the National Office of Intellectual Property since the end of 2014 and in some key foreign markets since 2017 such as in China, India, and Taiwan. This is the first step to create a legal basis for the Vietnam Rubber Association to deploy the task of branding the industry.

The brand of Vietnam Rubber Industry is built on the basis of quality assurance products and the participation of reputable businesses. Products bearing the certification mark "Vietnam Rubber" are certified by the Vietnam Rubber Association on criteria that businesses and products meet the current market requirements:

## **2. Supporting stakeholders to implement sustainable development**

- VRA has cooperated with organizations to successfully develop three guidelines including sustainable rubber forest management; reducing social and environmental risks and sustainable rubber production techniques. VRA will carry out the dissemination and promotion of these documents to rubber enterprises, smallholders and other stakeholders.

- Developing sustainable and responsible rubber production models, which have biodiversity and income sources, reduce greenhouse gas emissions, increase carbon stocks, protect land, and treat waste, fuel and material savings ...;

- Continuing cooperation and support from a number of reputable national and international organizations to organize workshops on sustainable development.

## **3. Enhancing the distribution of market information**

- Providing information through the VRA periodicals has always been highly appreciated by Ministries, Members, and Enterprises for the diverse content and regular updates, especially the news of foreign rubber market is compiled from sources of prestigious international rubber organizations and journals. The Association will continue to strengthen the in-depth analysis of the industry such as supply and demand situation, changes and economy - politics, forecasts in the short term ... as a basis for strategic development orientation appropriate industry.

- The task of fostering knowledge and raising awareness for members has been implemented by the Association through the coordination of organizing seminars, conferences, and training courses. At the same time, introduce to attend training courses, conferences and seminars organized by the Ministry, industry and other prestigious units on rubber quality management; Commercial contracts and risk prevention solutions; Rules of origin; Environment and ecosystem; Incoterms and International Payments...

## **4. Promoting international cooperation**

- Continuing to maintain relationships with the member countries of ARBC and IRA, the International Rubber Study Group (IRSG), the Association of Natural Rubber Producing Countries (ANRPC) to represent the voice of Members, rubber enterprises in researching and implementing a sustainable global rubber industry development strategy.

- Continuing to coordinate with international organizations to carry out research projects and surveys to assess the current situation of the industry in order to have a basis for proposing solutions and policies to support rubber enterprises in sustainable development.

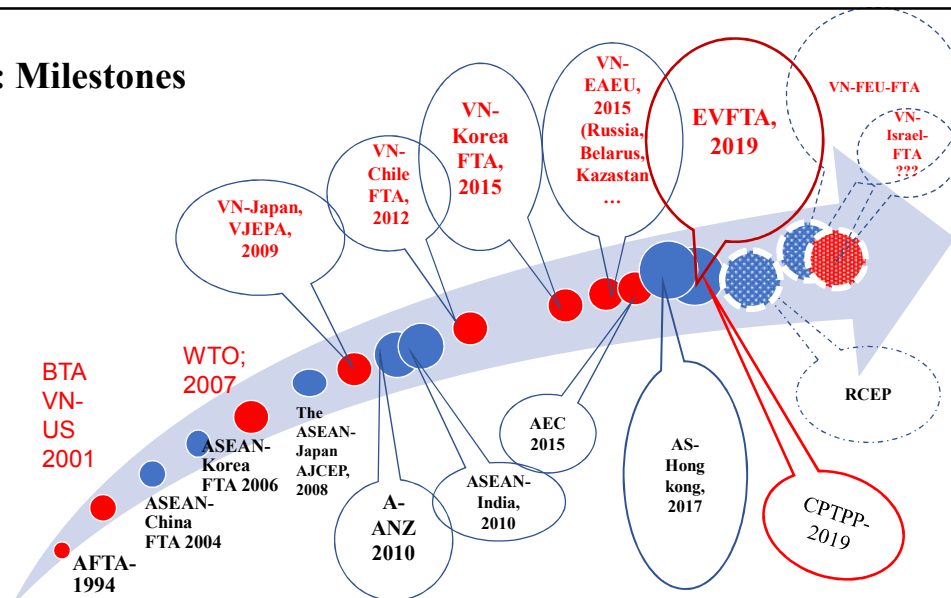
# Impacts on Vietnam's rubber industry in economic integration

*Dr. Tran Toan Thang*

*Department of Industrial Economic Forecast and Enterprise Development*

*National Centre for Socio-economic Information and Forecast*

## FTAs: Milestones





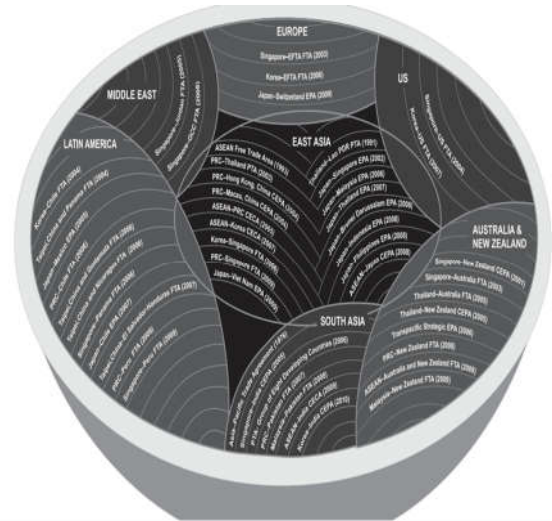
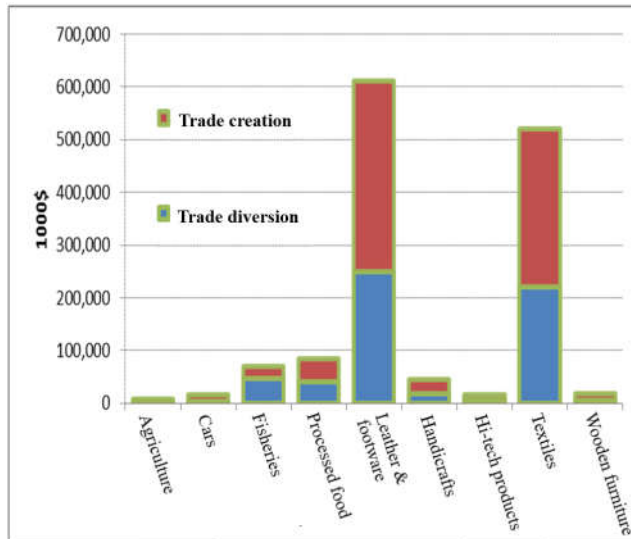
## Commitments in current FTAs

		EVFTA	CPTPP	AFTA	ACFTA	AJCEP	AIFTA
1	Trade in Goods	X	X	X	X	X	X
2	Rules of Origin	X	X	X	X	X	X
3	Textiles	X	X				
4	Customs Administration and Trade Facilitation	X	X	X	X	X	X
5	Trade Remedies	X	X		X	X	X
6	Sanitary & Phytosanitary (SPS) Measures Technical Barriers to Trade (TBT)	X	X	X		X	
7	Services	X	X	X	X	X	X
8	Financial Services	X	X	X		X	
9	Investment	X	X	X	X	X	X
10	Investment-State Dispute Settlement	X	X	X	X		X
11	Temporary Entry	X	X	X			
12	Telecommunications, Electronic-Commerce	X	X				
14	Government Procurement	X	X				
15	Competition policy, State-Owned Enterprises	X	X				
17	Intellectual Property	X	X				
18	Labour, Environment	X	X				
20	Capacity Building	X	X	X	X	X	
21	Dispute Settlement	X	X	X	X	X	X

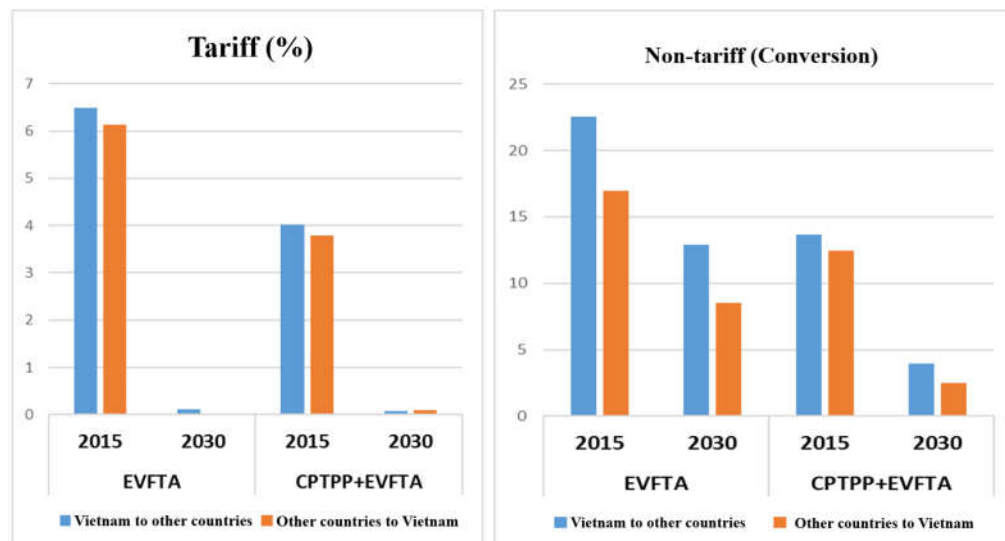
## FTA impacts



## FTA benefits



## Tariff reduction: Prospects



## Exports to CPTPP countries (%)

	Shares in Vietnam's exports to TPP11										Vietnam's total exports		
	Aus.	Brunei	Can.	Chile	Japan	Malay.	Mex.	New.Z	Peru	Sing.	TPP11	US	TPP12
Foodstuff and live animals	11.9	0.3	10.2	0.7	45.5	14.7	4.6	1.7	0.2	10.1	15.90	14.83	30.73
Beverages and tobacco	5.6	0.0	0.4	0.2	16.5	17.6	0.2	0.2	0.0	59.4	0.28	0.68	28.50
Crude materials, except fuels	0.6	0.1	1.7	0.1	70.1	22.3	0.5	0.7	0.4	3.5	0.22	2.84	24.41
Mineral fuels, lubricants & related materials	21.5	0.0	0.0	0.0	24.6	24.8	0.0	0.0	0.0	29.1	0.54	2.38	56.86
Animal and vegetable oils, fats and waxes	1.6	0.0	2.2	0.0	37.8	37.8	0.0	0.7	0.0	19.8	0.21	6.70	27.69
Chemical and related products	3.7	0.1	2.6	0.6	64.5	17.7	3.5	1.3	0.6	5.5	0.20	2.80	22.89
Manufactured goods	8.2	0.2	5.3	1.6	49.7	19.3	1.9	0.6	1.3	12.0	0.21	13.79	34.45
Machinery and transport equipment	10.1	0.1	8.4	3.3	39.9	12.3	9.5	1.5	1.2	13.6	0.16	12.78	28.64
Miscellaneous manufactured articles	7.8	0.0	13.0	3.1	64.4	2.2	4.8	1.1	0.7	2.9	0.16	40.31	56.54
Unclassified commodities	0.3	0.1	2.4	0.0	95.0	0.3	0.9	0.1	0.1	0.8	0.01	0.13	0.88
Total shares in Vietnam's exports to TPP11	10.0	0.1	8.3	2.2	48.6	12.3	5.3	1.1	0.8	11.2	100		
Total shares in Vietnam's total exports	1.79	0.02	1.49	0.40	8.70	2.21	0.95	0.20	0.15	2.01	17.92	20.66	38.58

- CPTPP represents a moderate share in the export structure.
- Vietnam signed FTAs with all three largest Vietnam's partners (Japan, Malaysia, Singapore), however these FTAs provide a longer tariff reduction schedule than CPTPP
- Export potentials of Vietnam's products in other international markets remains unclear, as a result of Vietnam putting too much emphasis on US market during TPP preparation.

## Vietnam exports to EU

Commodities	2014		2018		Growth rate (%/year)
	Million USD	Share (%)	Million USD	Share (%)	
Footware	3604.3	12.9	4196.1	10	3.87
Textiles & garments	3301.4	11.82	3720.3	8.87	3.03
Fisheries	1356.8	4.86	1319.7	3.15	-0.69
Coffee	1484.5	5.31	1233	2.94	-4.53
Wooden furnitures	705.1	2.52	690.2	1.65	-0.53
Computers	2037.2	7.29	4610.3	10.99	22.65
Pepper	233.1	0.83	98.4	0.23	-10.39
Telephone sets	8271	29.61	12559.1	29.94	11.01
Bags, wallets, umbrellas	642.6	2.3	841.2	2.01	6.96
Steel products	369	1.32	500.6	1.19	7.92
Means of transport & accessories	316.4	1.13	560.3	1.34	15.36
Cashew nuts	420	1.5	755	1.8	15.79
Rice	13.68	5	5.4	0.01	-20.74
Others	5176.92	18.53	10861.4	25.89	20.35
Total	27932	100	41951	100	10.7

## Vietnam imports from EU

Commodities	2014		2018		Growth rate (%/year)
	Million USD	Share (%)	Million USD	Share (%)	
Machinery & equipment	2610.3	29.31	3684.3	26.52	9
Pharmaceutical products	944.7	10.61	1318.7	9.49	8.7
Raw materials for textile products and leather	272	3.05	303.9	2.19	2.81
Iron and steel	104.6	1.17	122.2	0.88	3.96
Fertilizers	22.4	0.25	35.8	0.26	12.44
Means of transports & accessories	350.1	3.93	279	2.01	-5.52
Dairy products	218.3	2.45	176.1	1.27	-5.23
Electronic products and spare parts	160.6	1.8	175.3	1.26	2.21
Chemicals	366.5	4.12	482.5	3.47	7.12
Car parts	145	1.63	222.3	1.6	11.27
Cars	118	1.33	61.2	0.44	-15.1
Others	3592.5	40.34	7030.7	50.61	18.28
Total	8905	100	13892	100	11.76

### CPTPP impacts

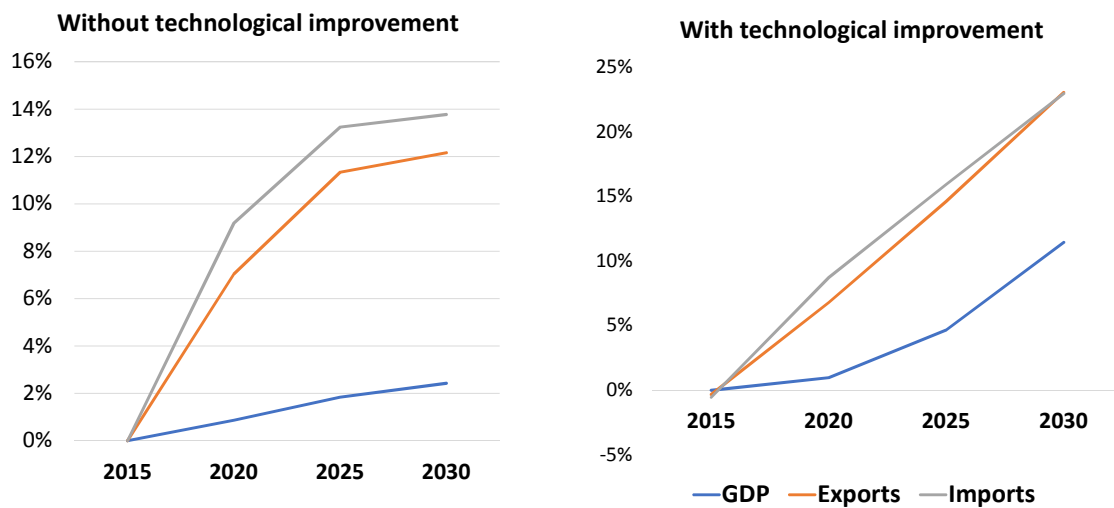
	Tariff reduction	Tariff reduction + services liberalization
GDP growth	1,32%	2.01%
Export growth	4,04%	4.74%
Import growth	3,80%	4.64%

**GDP enjoyed a surplus of 1.7 billion USD (compared to 2.7 billion USD in TPP), export revenue increased 4.09 billion USD; import revenue increased 4.93 billion USD.**

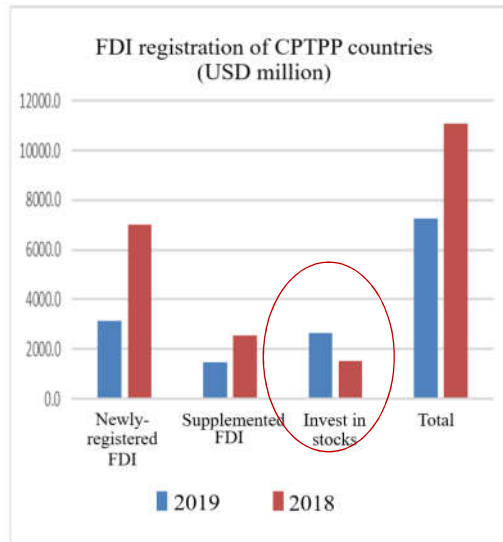
**Export growth: mainly thanks to an increase in exports to CPTPP countries**

**Import growth: mainly thanks to an increase in imports from outside TPP -> ROO issues (Rules of origin)**

### EVFTA impacts (% compared to original scenario)

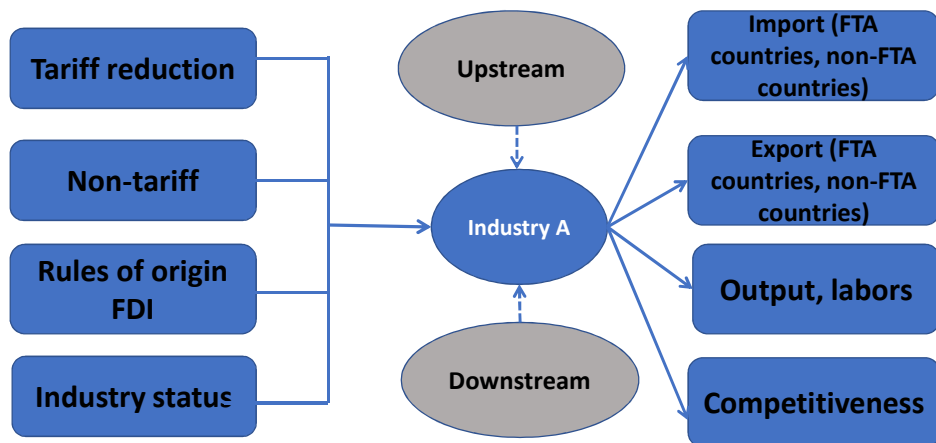


## FDI registration in the first 9 months

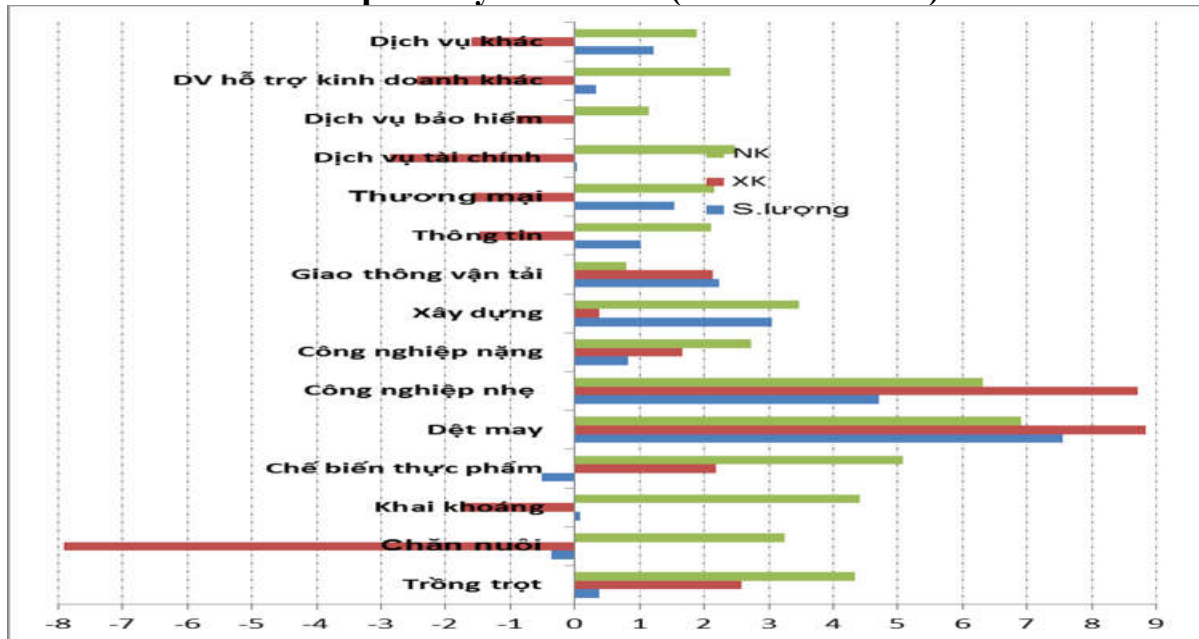


	2018				2019			
	Newly registered FDI	Supple-mented FDI	Invest in stocks	Total	Newly registered FDI	Supple-mented FDI	Invest in stocks	Total
Australia	15.0	4.2	47.4	66.6	37.9	60.8	50.8	149.5
Brunei	0.2	-2.8	12.9	10.3		52.6	1.0	53.6
Canada	1.9	0.1	51.3	53.4	22.4	5.4	60.5	88.3
Chile	0.0	0.0	0.0	0.0	0.3		0.0	0.3
Malaysia	64.0	25.4	116.6	205.9	22.3	57.2	40.9	120.4
Mexico	0.0			0.0	0.0	0.0	0.0	0.0
Newz.	0.4		1.4	1.8	2.2	0.2	0.8	3.2
Japan	5837.5	825.2	428.0	7090.7	1582.3	975.5	509.6	3067.3
Singapore	1101.4	1685.2	884.2	3670.8	1465.0	304.7	2003.5	3773.1
CPTPP total	7020.3	2537.3	1541.9	11099.6	3132.3	1456.4	2667.2	7255.8
FDI total	14124.5	5544.2	5704.2	25373.0	10973.4	4789.8	10401.2	26164.4
CTPP/total	49.7	45.8	27.0	43.7	28.5	30.4	25.6	27.7

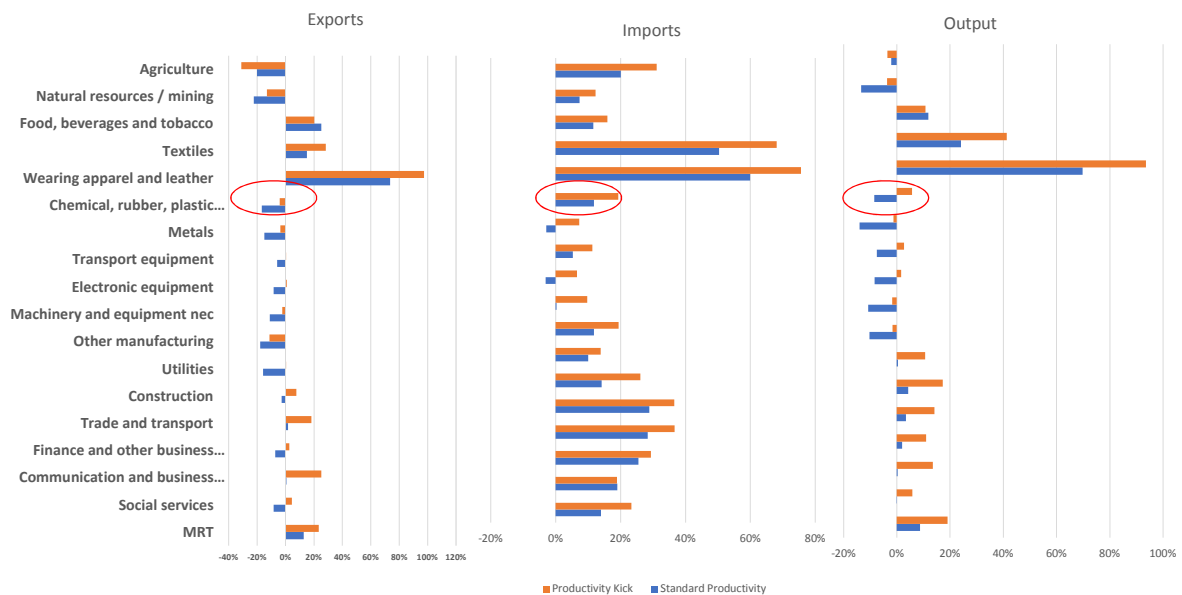
## FTA impacts on industries



### CPTPP: Impacts by industries (tariff reduction)



### EVFTA: Impacts by industries (% compared to original scenario, by 2030)





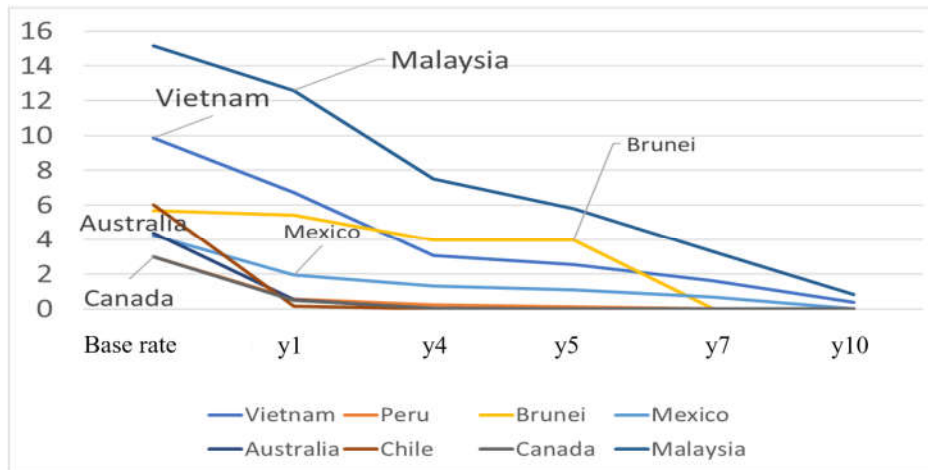
## Current import tax rate for rubber products

Code		Preferential import tax rate	ACFTA	ATIGA	ALCEP	VJEP+	AKFTA	AANZFTA	AIFTA	VKFTA	VCFTA	VN-EAEU	CPTPP
4001	Natural rubber	3.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3.00	0.18	0.00
4002	Synthetic rubber	0.50	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.75	0.42	0.00
4003	Reclaimed rubber in primary forms	3.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4004	Waste, parings and scrap of rubber	3.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3.00	0.50	0.00
4005	Compounded rubber, unvulcanised	5.00	0.00	0.00	0.00	0.50	0.00	0.00	0.00	0.00	5.00	0.20	0.00
4006	Other forms	3.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3.00	0.00	0.00
4007	Vulcanised rubber thread and cord	5.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3.00	0.00	0.00
4008	Plates, sheets, strip, rods	3.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3.00	0.00	0.00
4009	Tubes, pipes and hoses	3.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3.00	0.00	0.00
4010	Conveyor or transmission belts	9.00	0.00	0.00	0.00	0.30	0.00	0.00	0.00	0.00	4.60	1.16	0.00
4011	New pneumatic tyres, of rubber	18.13	11.88	0.00	6.88	3.25	2.50	4.38	0.00	6.56	14.13	4.36	14.30
4012	Retreaded or used pneumatic tyres of rubber	16.96	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	16.16
4013	Inner tubes of rubber	18.21	19.29	0.00	8.07	9.57	5.71	10.00	0.00	9.29	0.00	3.04	16.49
4014	Hygienic or pharmaceutical articles	3.40	0.00	0.00	0.00	0.20	0.00	0.00	0.00	0.00	2.80	0.00	2.50
4015	Articles of apparel and clothing accessories	16.00	0.00	0.00	4.40	2.80	0.00	0.00	0.00	0.00	8.20	7.04	11.98
4016	Other articles of vulcanised rubber	12.00	8.00	0.00	4.42	3.58	0.00	0.27	0.00	2.42	9.85	4.75	7.99
4017	Hard rubber	10.00	0.00	0.00	0.00	1.00	0.00	0.00	0.00	0.00	5.00	5.50	7.50

## Base rate in rubber industry

FTA	Country	Base rate (%)
CPTPP	Vietnam	9.86
	Peru	3.0
	Singapore	0.0
	Brunei	5.67
	Mexico	4.24
	New zealand	2.84
	Australia	4.39
	Chile	6.0
	Canada	3.0
	Japan	0.15
	Malaysia	15.16
EVFTA	EU to Vietnam	2.58
VN to EU	Vietnam to EU	9.31
Vietnam – South Korea	Vietnam and South Korea	0
Vietnam - Japan	Vietnam to Japan	0 - 40

## Tariff reduction in rubber industry (CPTPP)



Japan, New Zealand and Singapore eliminate completely their tariff on rubber in the first year of CPTPP

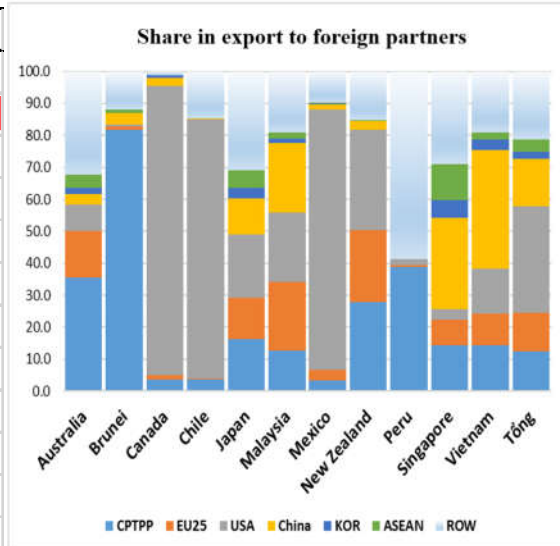
## Important tariff reduction in EVFTA

HS_code		Base rate	y1	y3	y5	y7	y10
4001	Natural rubber	2.54	0	0	0	0	0
4002	Synthetic rubber	1.33	0.86	0.68	0.49	0.35	0.14
4003	Reclaimed rubber in primary forms	0	0	0	0	0	0
4004	Waste, parings and scrap of rubber	3	0	0	0	0	0
4005	Compounded rubber, unvulcanised	5	0	0	0	0	0
4006	Other forms	3	0	0	0	0	0
4007	Vulcanised rubber thread and cord	5	0	0	0	0	0
4008	Plates, sheets, strip and rods	3	0	0	0	0	0
4009	Tubes, pipes and hoses	3	0.16	0.08	0	0	0
4010	Conveyor or transmission belts	9	5.8	3.4	1	0	0
4011	New pneumatic tyres of rubber	17.89	15.68	11.26	6.84	3.24	0.62
4012	Retreaded or used pneumatic tyres of rubber	21.03	19.12	15.3	11.47	7.65	1.91
4014	Inner tubes of rubber	3.5	2.8	1.4	0	0	0
4015	Hygienic or pharmaceutical articles	17.5	14.55	8.65	2.75	0	0
4016	Articles of apparel and clothing accessories	10.86	9.15	5.72	2.3	0.78	0.19
4017	Other articles of vulcanised rubber	10	8.33	5	1.67	0	0
	<b>Total</b>	<b>9.31</b>	<b>7.11</b>	<b>5.12</b>	<b>3.14</b>	<b>1.73</b>	<b>0.42</b>



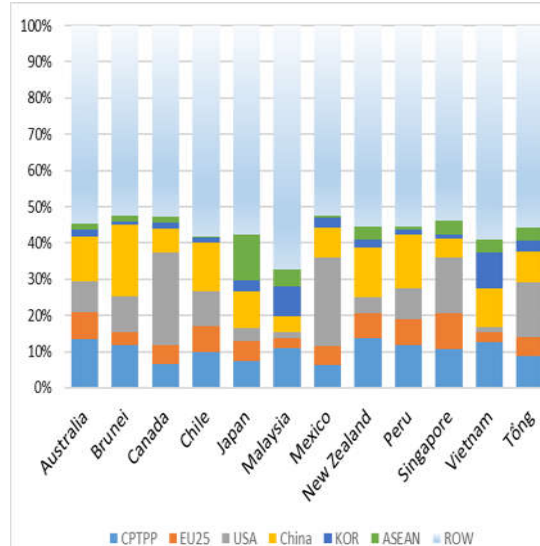
## Export of rubber products of CPTPP countries

	Aus	Bru	Can	Chile	Japan	Malay	Mex	Newz	Peru	Sing	VN	CPTPP
Aus.	0.0	0.1	2.6	1.5	3.0	5.5	1.5	71.1	0.1	12.5	2.1	35.6
Brunei	0.7	0.0	0.0	0.0	0.1	85.7	0.0	0.0	0.0	11.8	1.6	81.8
Canada	3.7	0.0	0.0	2.4	12.4	0.7	77.5	0.6	0.5	0.7	1.3	3.6
Chile	5.1	0.0	5.7	0.0	0.1	0.1	19.7	0.0	69.3	0.0	0.0	3.7
Japan	28.9	0.1	12.0	8.5	0.0	12.4	11.5	1.7	5.6	5.5	13.7	16.3
Malay	19.5	0.1	11.3	3.0	34.4	0.0	4.3	2.6	2.0	11.9	10.8	12.8
Mexico	3.3	0.0	70.5	7.1	3.8	1.4	0.0	0.3	8.4	4.2	0.9	3.3
Newz	89.9	0.0	2.5	2.4	0.7	0.8	0.1	0.0	0.0	1.8	1.7	27.7
Peru	0.7	0.0	2.2	38.4	0.0	0.3	58.4	0.0	0.0	0.0	0.0	38.9
Sing	9.6	2.4	1.7	0.2	24.2	39.5	1.3	1.2	0.2	0.0	19.8	14.2
VN	6.5	0.2	5.7	0.9	35.6	45.2	2.5	0.9	1.6	0.9	0.0	14.5
Tổng	20.6	0.3	11.3	5.6	14.3	13.6	10.0	3.3	3.9	6.1	11.0	12.5

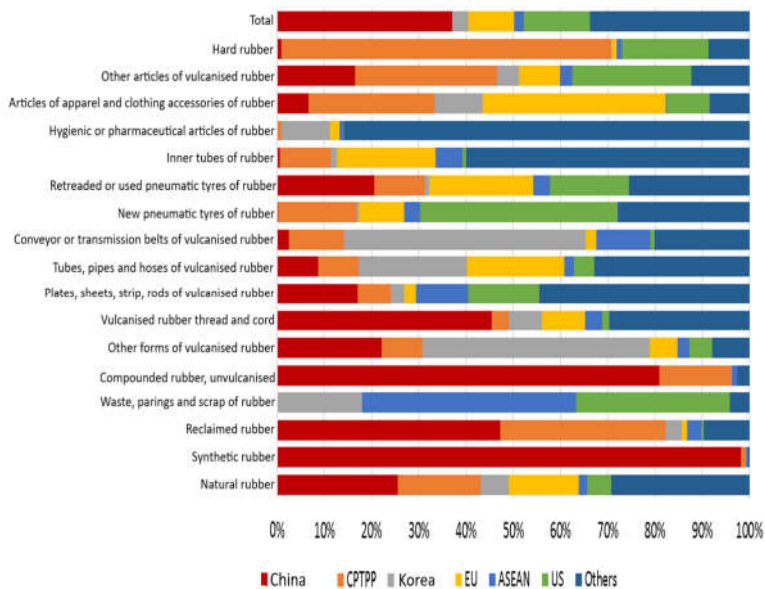


## Import of rubber products of CPTPP countries

	Aus	Bru	Can	Chile	Japan	Malay	Mex	Newz	Peru	Sing	Vietn	CPTPP
Australia	0.0	0.0	1.2	0.1	71.5	19.0	1.4	1.2	0.0	1.7	3.9	24.8
Brunei	0.9	0.0	0.2	0.0	37.3	18.9	0.5	0.0	0.0	34.5	7.7	22.4
Canada	0.5	0.0	0.0	2.5	48.0	17.0	28.0	0.1	0.1	0.1	3.7	12.6
Chile	0.7	0.0	3.1	0.0	72.0	12.9	3.9	0.2	5.4	0.3	1.5	16.9
Japan	0.2	0.0	3.4	0.0	0.0	58.1	0.9	0.0	0.0	8.0	29.4	12.9
Malaysia	0.7	0.0	0.3	0.0	49.6	0.0	0.3	0.0	0.0	9.1	40.0	16.4
Mexico	0.2	0.0	41.6	0.8	40.7	8.2	0.0	0.1	2.3	0.5	5.6	11.8
New Zeal	29.9	0.0	1.2	0.0	35.4	27.1	0.9	0.0	0.0	1.4	4.2	24.5
Peru	0.3	0.0	1.3	3.3	71.4	12.8	5.6	0.0	0.0	0.1	5.2	21.2
Singapore	2.1	0.0	1.1	0.0	40.0	51.3	3.2	0.1	0.0	0.0	2.1	19.8
Vietnam	0.6	0.0	0.5	0.0	74.0	17.8	0.6	0.0	0.0	6.3	0.0	21.4
Tổng	1.2	0.0	8.2	0.7	47.7	20.8	5.9	0.2	0.7	3.1	11.4	15.6

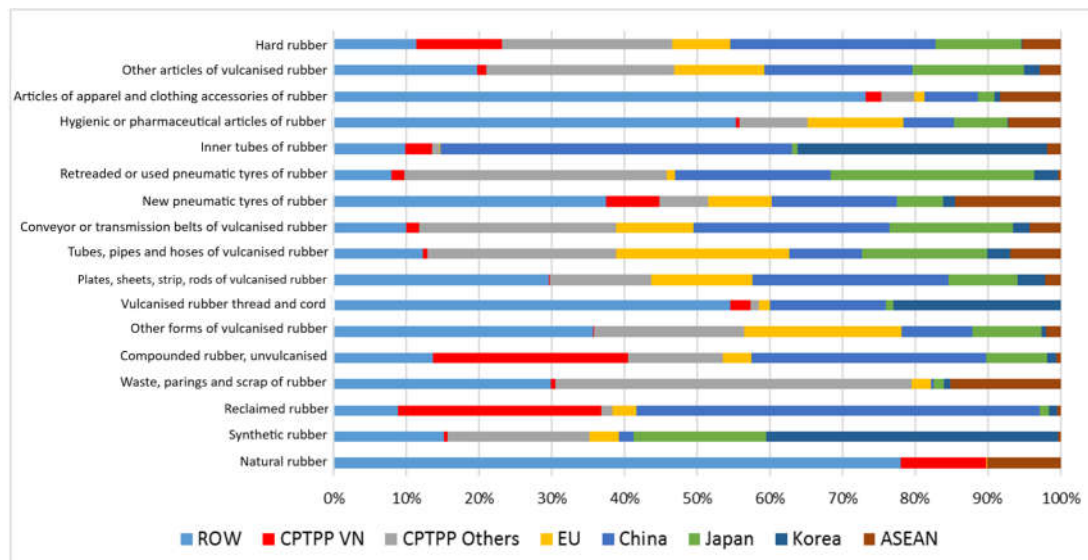


## Rubber export of Vietnam

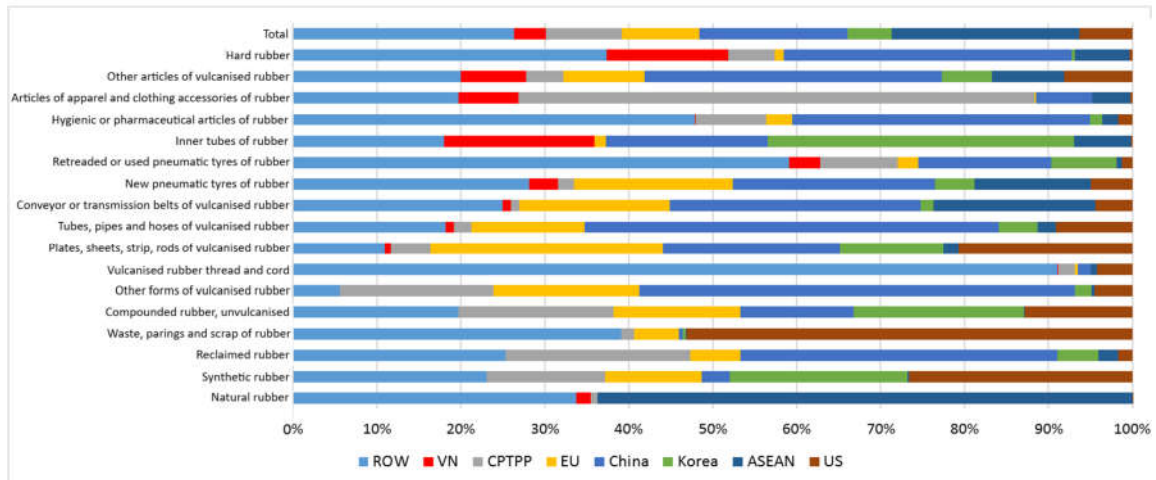


	2015	2016	2017	Tăng
World	2539.6	2846.0	3817.1	69.9
Aus.	19.7	26.1	40.7	157.0
Brunei	0.8	0.6	0.7	-16.7
Canada	12.7	17.3	45.3	424.1
Chile	2.9	3.8	5.7	135.4
China	826.0	1059.8	1526.5	122.2
EU	222.5	281.2	394.5	110.5
Indo	29.0	35.2	45.0	77.5
Japan	158.0	144.6	171.1	10.9
Korea	81.9	96.3	132.6	87.2
Malay.	264.5	169.3	166.9	-45.0
Mexico	5.6	8.9	18.9	381.6
Myan	9.0	8.5	10.4	21.4
Newz	1.7	4.6	5.7	391.0
Peru	7.4	7.7	6.3	-18.8
Philipin	12.2	13.8	17.3	58.0
Singapore	3.8	4.5	4.1	10.7
US	308.4	398.4	586.7	130.7

## Rubber import of Malaysia



## Rubber import of Japan



## Low utilization rate of C/O

	CO value	Revenue	Rate
AANZ (Australia+Newz)	663,87	2.216,73	30%
Form AI (India)	1.460,70	3.358,76	44%
Form AJ+VJ (Japan)	3.282,77	17.772,49	18%
Form AK+VK (Korea)	4.874,05	17.439.52	28%
Form D (ASEAN)	4.063,14	12.186,34	33%
Form E (China)	5.492,01	16.622,65	33%
Form EAV (EAEU)	281,39	1.243,64	23%
Form VC (Chile)	300,23	442,67	68%
Total of C/O forms	20.450,75	53.676,80	38%

## Conclusions and reviews

- The import duty of foreign partners will be quickly reduced according to FTAs, however rubber and rubber products enjoy a few benefits from the agreements -> opening up many opportunities for CPTPP and EVFTA to impact on these products.
- Government is trying to exercise intellectual property rights on manufactured rubber by slowing down tariff reduction schedule -> require quick trade conversion in the interests of avoiding import competition.
- In the foreseeable future, quick conversion from exporting raw rubber to exporting manufactured rubber is required, with the aim of seeing benefits faster.
- Pay attention to rules of origin
- Productivity, competitiveness???

Thank you!