



Impact of COVID-19 on ASEAN Member States' timber trade

1. Introduction

The COVID-19 pandemic has affected countries around the world, impacted their economies and health systems as well as people's livelihoods. The timber sector is no exception to this. According to the International Tropical Timber Organization (ITTO), factory and mill closures, sharply reduced sales, falling prices, shipping disruptions/freight rate spikes, disrupted supply chains and suspended capital investments led to severe unemployment and the collapse of many small and medium-sized forest enterprises globally. Significant migration from cities to rural forest areas also increased pressure on forest resources as people sought to escape the pandemic and find alternative means of subsistence. Increased incidents of illegal logging, wildlife poaching, slash-and-burn farming, and incursions into protected forests and indigenous forest lands often went unchecked due to reduced government presence and decreased monitoring and law enforcement.¹ In this context, ITTO modelling suggests that global timber production could recover to pre-crisis levels only by 2026.²

Considering the pandemic-induced challenges in the timber sector globally, there is little available analysis on the COVID-19 impacts on the timber sector in ASEAN. This analysis therefore aims to fill this gap by assessing the impact of COVID-19 on ASEAN member states' (AMS) timber and timber product trade. It synthesises existing information and studies on the impact of COVID-19 on AMS' timber trade and compiles available information

¹ ITTO. 2022. ITTO Strategic Action Plan 2022–2026. [Policy Development Series No. 25](#).

² Held, C., Meier-Landsberg, E. & Alonso, V. 2021. Tropical timber 2050: an analysis of the future supply of and demand for tropical timber and its contributions to a sustainable economy. [ITTO Technical Series No. 49](#).

on AMS' national and regional strategies to manage the COVID-19 impacts on the forestry sector. It covers the period January 2020-June 2022.

The analysis was commissioned by the EU FLEGT Asia Programme Steering Committee in September 2021. It places a particular focus on Indonesia, Lao PDR, Thailand and Viet Nam, as the four active VPA countries in the region. The analysis was presented to AMS at the ASEAN Working Group Meeting on Forest Management on 26 May 2022, the ASEAN Forest Products Development Working Group Meeting on 27 July 2022, and the ASEAN Senior Officials on Forestry Meeting on 28 July 2022.

2. COVID-19 impacts and response measures in the four active VPA countries' timber sectors

Indonesia

The Indonesian timber sector proved resilient throughout the COVID-19 pandemic. Indonesia exceeded its 2020 export target for forest and wood products despite the impact of the COVID-19 pandemic on production and trade. Early in 2020 the export target was lowered from USD 10 billion to USD 7 billion to take account of the anticipated disruption of business; however, export earnings in 2020 topped USD 11 billion, even exceeding the original target.³ Indonesia's timber exports outperformed the overall economy which contracted by 2.1 per cent in 2020.⁴

In 2021, Indonesia achieved a 31 per cent increase in its forestry exports year-on-year, as exports rose to USD 14.5 billion driven by strong demand in the US and EU and despite prevalent container shortages.^{5,6} The largest contributor to export growth was the wood panel industry which earned USD 4 billion, up 83 per cent on an annual basis. Second was the paper and pulp industry with exports of USD 3.7 billion and USD 3.2 billion respectively.⁷ Wood furniture exports to the EU grew by 46 per cent to USD 461 million in 2021 as did plywood exports which grew by 32 per cent to USD 70 million.⁸ As in 2020, timber exports in 2021 outperformed the Indonesian economy which grew by 3.7 per cent.⁹

In addition to the growth in exports in 2020 and 2021, production in Indonesia proved resilient as well. Production of logs from natural and plantation forests increased by 6 per cent in 2021 year-on-year.¹⁰ Processed wood production increased by 4 per cent and the production of non-timber forest products grew by 30 per cent in 2021 year-on-year.¹¹

³ ITTO. January 2021. Tropical Timber Market Report. [Volume 25 Number 1](#).

⁴ Nikkei Asia. 7 February 2022. [Indonesia's economy bounced back in 2021 with 3.69% growth](#).

⁵ ITTO. January 2022. Tropical Timber Market Report. [Volume 26 Number 2](#).

⁶ CNBC Indonesia. 27 January 2022. [Kiamat Kontainer Serius, Pabrik-Pabrik Furnitur Bertumbuhan](#).

⁷ ITTO. April 2022. Tropical Timber Market Report. [Volume 26 Number 7](#).

⁸ IMM. May 2022. FLEGT VPA Independent Market Monitoring (IMM). Presentation for JEM in Indonesia.

⁹ Nikkei Asia. 7 February 2022. [Indonesia's economy bounced back in 2021 with 3.69% growth](#).

¹⁰ ITTO. January 2022. Tropical Timber Market Report. [Volume 26 Number 1](#).

¹¹ Ibid.

To manage the pandemic, the Indonesian government initiated a IDR 579.8 trillion (USD 40.6 billion) national economic recovery programme encompassing support to low-income households, expanded unemployment benefits and a reduced corporate income tax rate.¹² In addition, the government introduced several incentives and a relaxation of regulations, such as via the Omnibus Law, which enabled streamlining and simplifications in the areas of investment and export to benefit the private sector.¹³

The Omnibus Law resulted in the promulgation of several subsidiary regulations in the forestry sector to streamline procedures for exporters and importers. A reduction in export duties from 15 per cent to 5 per cent and adjusted regulations and duties on processed merbau, white meranti and yellow meranti¹⁴, as well as support to SME operators in the form of capacity assistance, regulatory relaxations, subsidies, and certification and licensing support led to a quick recovery in the timber and furniture sectors. Coupled with a surge in demand in the US and EU, Indonesia's forestry exports proved resilient throughout the pandemic.¹⁵

In 2022, shipping costs continued to soar and became increasingly critical for furniture exporters, in particular SMEs. Data compiled by the Indonesian Furniture and Crafts Industry Association (HIMKI) shows that the cost of container shipments has risen by up to 900% compared to pre-pandemic levels. HIMKI estimates that around 25 per cent of the 2,500 businesses registered as HIMKI members had gone bankrupt by January 2022 as a result of the high cost of shipping.¹⁶

In February 2022, the Indonesian government launched the Aku Siap Expor (ASE 2) programme to encourage production and trade in furniture and lifestyle products. The one-year programme will offer workshops, simulation practices, assignments, business meetings, private mentoring, local market orientation missions and participation in domestic and foreign exhibitions.¹⁷

Lao PDR

Efforts to contain the pandemic have been relatively successful in Lao PDR, but negative economic impacts have been felt and livelihoods affected. According to the World Bank, on aggregate, the poverty rate (measured as USD 3.20 a day, 2011 purchasing power parity) increased by 1.7 per cent in 2020, as compared with a non-COVID-19 scenario.¹⁸

As for the forestry sector, Lao PDR's exports of wood, pulp, paper and furniture dropped by 27 per cent between 2019 and 2020 for major export markets, but quickly recovered in 2021 with growth outperforming pre-pandemic levels as exports surged by 289 per cent year-on-year.¹⁹ Lao PDR's export growth in 2021 was mainly driven by trade with its main trading

¹² IMF. [Policy Responses to COVID-19](#).

¹³ ITTO. January 2021. Tropical Timber Market Report. [Volume 25 Number 1](#).

¹⁴ ITTO. November 2020. Tropical Timber Market Report. [Volume 24 Number 21](#).

¹⁵ Ibid.

¹⁶ CNBC Indonesia. 27 January 2022. [Kiamat Kontainer Serius, Pabrik-Pabrik Furnitur Bertumbangan](#).

¹⁷ ITTO. March 2022. Tropical Timber Market Report. [Volume 26 Number 5](#).

¹⁸ World Bank. December 2021. [Monitoring the Impact of COVID-19 in Lao PDR](#).

¹⁹ IMM. The Sustainable Timber Information Exchange sourced from <https://stix.global>

partner China. Exports to China initially dropped by 29 per cent to USD 276 million in 2020, but then grew by 315 per cent to USD 870 million mainly driven by paper exports. Likewise, exports to South Korea rose by 30 per cent to USD 21.8 million between 2019-2020 and by 16 per cent to USD 25.4 million between 2020-2021.²⁰ On the other hand, exports to Japan, another large export market for Lao timber products, declined by 13 per cent to USD 16.8 million in 2020 and by another 13 per cent to USD 14.6 million in 2021. Similarly, exports to the EU dropped from USD 41,000 to USD 27,000 between 2019-2020 and to USD 11,000 in 2021.

In the first five months of 2021, exports of wood products from Lao PDR to Viet Nam reached USD 38 million, up 89 per cent in value over the same period in 2020.²¹ Around 80 per cent of the total wood products exported from Lao PDR to Viet Nam in the first 5 months of 2021 were sawn wood from plantations with a value of USD 36 million, up 88 per cent over the same period in 2020.²²

In April 2021, Lao PDR was hit by a second COVID-19 wave which led to a surge in reported cases and the re-introduction of strict containment measures which remained in place until the end of the year, with restrictions being adapted to the changing situation over time. The second wave and its lockdown measures particularly affected employment. More than half of the respondents of a World Bank survey were without work or had to stop working in April–May 2021, against 17 per cent in February–March 2021.²³ By May 2021, 5.5 per cent of businesses had permanently closed, while one-third were temporarily closed. Among businesses that remained in operation, two-thirds experienced a fall in revenue from pre-lockdown levels.²⁴

Another World Bank survey conducted between October – November 2021 found that 31 per cent of respondents were out of work compared to 18 per cent before the first COVID-19 wave, with informal and low-skilled workers hit the hardest. Moreover, 35 per cent of pre-COVID-19 household businesses were temporarily or permanently closed, and 71 per cent experienced a decline in revenue.²⁵

While no pandemic response measures specifically targeting the forestry sector have been put in place, the government introduced several economy-wide measures such as a temporary reduction in electricity prices, income tax exemptions for low-income workers, profit tax exemptions for microenterprises, and a postponement of mandatory contributions to social security. The government also agreed to compensate 60 per cent of workers' salaries, who participated in the social security scheme, and had their work suspended during May and June 2020.²⁶ During the second COVID-19 wave in 2021, the government further approved a budget of 1.5 billion kip (USD 130,000) to disburse cash allowances to

²⁰ IMM. The Sustainable Timber Information Exchange sourced from <https://stix.global>

²¹ ITTO. July 2021. Tropical Timber Market Report. [Volume 25 Number 14](#).

²² Ibid.

²³ World Bank. December 2021. Monitoring Impacts on Households in Lao PDR – [Third Survey Round April – May 2021](#).

²⁴ Ibid.

²⁵ World Bank. March 2022. Monitoring COVID-19 Impacts on Households in Lao PDR – [Fourth Survey Round October – November 2021](#).

²⁶ IMF. [Policy Responses to COVID-19](#).

low-income households and provide other subsidies for almost 6,000 low-income earners and informal sector workers suffering from extreme financial hardship due to the pandemic.²⁷

Thailand

The Thai timber sector proved resilient throughout the COVID-19 pandemic. While Thai exports of wood products (HS codes 44) fell by 4 per cent between 2019-2020, exports rebounded in 2021 and increased by 33 per cent compared to 2020, to USD 2.85 billion.²⁸ Thai exports of wooden furniture (HS code 94) even increased all throughout the pandemic, by 39 per cent between 2019-2020, and by 20 per cent in 2021 to USD 425 million.²⁹

Throughout the pandemic, Thailand remained the top exporter of tropical sawn wood to China (62 per cent market share, mostly rubber timber). In 2021, it exported sawn wood destined for China with a value of USD 1 billion, up 15 per cent compared to the same time period the year before.³⁰

To manage the pandemic, the Thai government implemented several measures to mitigate the economic impacts. These include 1.9 trillion Baht (USD 58.6 billion) in financial assistance, a reduction of the withholding tax from 3 to 1 per cent from April to September 2020, as well as tax deductions for salary payments and cash disbursements.^{31,32}

In the forestry sector, the Ministry of Natural Resources and Environment (MNRE) provided financial support worth THB 445 million (USD 13.3 million) to forest sector laborers who had lost their jobs due to the pandemic.³³ In addition, informal laborers from local communities living near forested lands and informal laborers working as part-time officers under the authority of governmental departments were offered jobs. More than 16,000 vacancies were initially created with a three-month contract and a salary of 9,000 baht (USD 280) per month, effective from July to September 2020. This scheme was later extended from October to December 2020 and expanded to employ 10,000 temporary employees, assigning them tasks of forest firebreak establishment, reforestation, and other data field survey and monitoring.³⁴

In terms of COVID-19 impacts, a RECOFTC survey conducted in April 2020 found that many forest communities had suffered financial and other hardships as a result of the lockdown measures as workplaces closed and people had to stay at home. Those interviewed said they faced higher living costs, lost earnings from suspended jobs and other financial

²⁷ Ibid.

²⁸ Thai Customs Database. <http://www.customs.go.th/>

²⁹ Thai Customs Database. <http://www.customs.go.th/>

³⁰ ITTO. August 2021. Tropical Timber Market Report. [Volume 25 Number 16](#).

³¹ United Nations Forum on Forests Secretariat. 2021. Initial Assessment of the Impact of COVID-19 on Sustainable Forest Management - [A case study on Thailand and Nepal](#).

³² IMF. [Policy Responses to COVID-19](#).

³³ United Nations Forum on Forests Secretariat. 2021. Initial Assessment of the Impact of COVID-19 on Sustainable Forest Management - [A case study on Thailand and Nepal](#).

³⁴ Ibid.

difficulties, causing stress and anxiety. Isolated at home, people said they faced challenges carrying out community forestry work and staying connected to their community networks.³⁵

Viet Nam

Viet Nam has been able to control the pandemic at modest human and economic costs. GDP expanded by 2.9 per cent in 2020 as economic activity was supported by a quick and sustained resumption of production and exports, with additional support from a public investment stimulus and resilient foreign direct investment.³⁶ GDP growth slowed to 2.6 per cent in 2021 due to the emergence of the Delta variant but is expected to rebound to 5.5 per cent in 2022.³⁷ The country saw a 16 per cent increase in its 2020 wood and wood product export value compared to 2019.³⁸ In 2021, wood and wood product exports reached USD 14.8 billion, up 20 per cent year-on-year.³⁹ In the first five months of 2022 wood and wood product exports stood at USD 7.2 billion, up 7 per cent over the same period in 2021.⁴⁰ Imports of wood and wood products in 2021 were valued at USD 3 billion, up 16 per cent compared to 2020.⁴¹

High export growth was achieved in Viet Nam's main export markets such as the US, Japan, China, the Republic of Korea and the EU, which account for 90 per cent of Viet Nam's forestry export value.⁴² Multiple factors are considered to have led to this surge in exports. On the supply side, these include governmental policies such as financial support to businesses to ensure the payment of wages, corporate income and business registration tax cuts, cash transfers, and reductions in electricity costs, rents for state-owned land, and contribution rates for unemployment funds.⁴³ Many Vietnamese businesses also adapted to the challenging situation by applying advanced technology, developing new products and making use of online marketing channels. In addition, Vietnamese companies leveraged the country's relatively safe production environment and seized market opportunities.⁴⁴

On the demand side, the COVID-19 pandemic forced people in many countries and regions, especially the US, the EU, Japan, and the Republic of Korea, all major importers of Vietnamese wooden items, to work from home, leading to greater demand for home and garden furniture.⁴⁵

Exports saw a downturn in July 2021 when the entire Southern Region of Viet Nam was placed under lockdown, but started to rebound by October as restrictions were eased. By the end of 2021, production in Viet Nam returned to normal and businesses operating in the wood industry accelerated production to keep up with signed export orders for the last month

³⁵ RECOFTC. May 2020. [Impact of COVID-19 on forest communities in Thailand: April 2020 survey results from 30 provinces.](#)

³⁶ ITTO. 2021. [Biennial review and assessment of the world timber situation 2019-2020.](#)

³⁷ World Bank. [Viet Nam Country Overview.](#)

³⁸ ITTO. February 2021. Tropical Timber Market Report. [Volume 25 Number 4.](#)

³⁹ ITTO. January 2022. Tropical Timber Market Report. [Volume 26 Number 2.](#)

⁴⁰ ITTO. June 2022. Tropical Timber Market Report. [Volume 26 Number 11.](#)

⁴¹ ITTO. January 2022. Tropical Timber Market Report. [Volume 26 Number 1.](#)

⁴² ITTO. April 2021. Tropical Timber Market Report. [Volume 25 Number 7.](#)

⁴³ IMF. [Policy Responses to COVID-19.](#)

⁴⁴ ITTO. May 2021. Tropical Timber Market Report. [Volume 25 Number 9.](#)

⁴⁵ Ibid.

of the year and the first half of 2022.⁴⁶ To avoid production disruption during the lockdown many wood processing factories asked for permission to implement the model of '3-on-site' which means on-site production, on-site dining and on-site overnight.⁴⁷ A study from the Binh Dương Furniture Association (BIFA) showed that among 100 wood enterprises which operated the '3 on-site' model, 71 had ensured operations while 29 had been unable to avoid infection clusters.⁴⁸ In addition, companies sought to reduce the number of workers and reduce or curtail production. Some companies tried to maintain production at 20 - 50 per cent of capacity in order to partially meet orders and maintain jobs for employees.⁴⁹

It has been reported that factory closures in Viet Nam have forced Chinese investors in Viet Nam to put expansion plans on hold. Due to the lockdown and resulting suspension of production in many factories, Chinese furniture companies also increasingly shifted their sourcing from Viet Nam to China.⁵⁰

For individual households, a 2021 study found that lockdown measures severely affected wood villages in Viet Nam which play an important role in supplying the domestic market. In the wood villages surveyed, production dropped by 62 per cent, income by 90 per cent and only 46 per cent of household businesses were still operational by the time restrictions were eased in 2021.⁵¹

Looking ahead, the Vietnam Timber and Forest Production Association announced in February 2022 that it aims to achieve wood and wood products exports of USD 18 billion in 2022, fuelled by strong demand particularly in the US and a more competitive position as China's "Zero COVID" strategy affects the country's export production.^{52,53} However, trade barriers, rising raw material prices, fuel costs, prolonged COVID-19 infections, and container and labour shortages remain challenges for Vietnamese exporters.^{54,55,56}

In response to these challenges, the Ministry of Agriculture and Rural Development launched a sustainable forestry development programme to boost productivity and quality of domestically planted forests to reduce reliance on imported timber – Viet Nam imports 25 per cent of the total timber volume needed for its wood processing industry.⁵⁷ The wood industry is also planning to solve the problem of high transportation costs by increasing the value of each container according to packaging specifications and brands.⁵⁸ Moreover, many provinces and cities in the Mekong Delta and the Central parts of the country have established industrial zones which are expected to attract workers to return to work, as more

⁴⁶ ITTO. December 2021. Tropical Timber Market Report. [Volume 25 Number 23](#).

⁴⁷ ITTO. August 2021. Tropical Timber Market Report. [Volume 25 Number 15](#).

⁴⁸ Viet Nam News. 30 July 2021. [Wood enterprises implementing '3 on-site' ask for less public pressure](#).

⁴⁹ ITTO. September 2021. Tropical Timber Market Report. [Volume 25 Number 17](#).

⁵⁰ VNEXPO. September 2021. [Vietnam blockade extended again! Large furniture orders come back to China](#).

⁵¹ Forest Trends, VIFORES, HAWA, BIFA, DOWA, FPA Binh Dinh. 2021. Impact of Covid-19 on wood villages.

⁵² ITTO. February 2022. Tropical Timber Market Report. [Volume 26 Number 3](#).

⁵³ ITTO. April 2022. Tropical Timber Market Report. [Volume 26 Number 8](#).

⁵⁴ ITTO. February 2022. Tropical Timber Market Report. [Volume 26 Number 3](#).

⁵⁵ Viet Nam News. 11 March 2022. [High input costs hit wood product manufacturers](#).

⁵⁶ ITTO. May 2022. Tropical Timber Market Report. [Volume 26 Number 9](#).

⁵⁷ ITTO. April 2022. Tropical Timber Market Report. [Volume 26 Number 7](#).

⁵⁸ ITTO. February 2022. Tropical Timber Market Report. [Volume 26 Number 4](#).

than 100,000 workers left Binh Duong province alone to return to their hometowns during the pandemic.⁵⁹

3. COVID-19 impacts and response measures in the other ASEAN Member States' timber sectors

Brunei Darussalam

The impact of the COVID-19 pandemic on Brunei Darussalam's economy has been mild as real GDP grew by 1.1 per cent in 2020 and growth projections for 2021 were at 2.0 per cent by year end.⁶⁰ In response to the pandemic, the government introduced targeted measures centred mainly around tax, utility and social security deductions/deferments to assist hardest-hit households and firms.⁶¹

As for the timber sector, Brunei Darussalam's imports of primary timber products (logs, sawn wood, veneer, plywood) and secondary processed products increased by 0.9 per cent to USD 6.4 million in 2020, but then dropped by 11 per cent to USD 5.7 million in 2021. Exports of the same significantly dropped by 99 per cent from USD 257,000 in 2019 to USD 2,400 in 2020, likely due to impacts of the COVID-19 pandemic.⁶² However, it should be noted that the timber sector in Brunei Darussalam is relatively small and only contributes marginally towards the overall economy, which is dominated by the oil and gas sector.

Cambodia

The Covid-19 pandemic resulted in an economic slowdown in Cambodia as the economy contracted by 3.1 per cent in 2020 but quickly rebounded in 2021 with real growth estimates at 3 per cent, in light of strong export performance supported by improved external demand conditions.⁶³ Employment and income have not recovered to their pre-pandemic levels and only 69 per cent of households' main earners were employed in March 2021, 13 percentage points lower than before the pandemic. About 45 per cent of households continued to experience income losses in March 2021, and disruptions to economic activities due to stringent measures to curb the outbreak have led to job losses or decreased working hours.⁶⁴ To support those affected, the Cambodian government introduced cash transfers to workers in need and tax cuts for companies in certain industries, such as the garment and tourism sectors.⁶⁵

⁵⁹ ITTO. April 2022. Tropical Timber Market Report. [Volume 26 Number 7](#).

⁶⁰ IMF. September 2021. [IMF Executive Board Concludes 2021 Article IV Consultation with Brunei Darussalam](#).

⁶¹ IMF. [Policy Responses to COVID-19](#).

⁶² ITTO. [Biennial Review Statistics Database](#).

⁶³ World Bank. [Cambodia Country Overview](#).

⁶⁴ Ibid.

⁶⁵ Asian Development Bank. March 2021. [Kingdom of Cambodia: COVID-19 Active Response and Expenditure Support Program First Quarterly Monitoring Report](#).

As for the timber sector, Cambodia's imports of primary timber products (logs, sawn wood, veneer, plywood) and secondary processed products dropped by 11 per cent to USD 187 million in 2020, but rebounded by 19 per cent to USD 222 million in 2021. Exports of the same products increased by 2 per cent to USD 212 million in 2020, and by another 49 per cent to USD 313 million in 2021.⁶⁶

Malaysia

After an initial downfall in production in early 2020, the Malaysian timber sector coped well with the COVID-19 pandemic throughout 2020 and early 2021, in part due to significant fiscal stimulus packages targeting the whole economy covering temporary tax and social security relief; cash transfers to affected sectors and wage subsidies.⁶⁷ However an extensive lockdown between June-September 2021 severely impacted the timber sector.

According to the Malaysian Timber Industry Board (MTIB), timber exports were at USD 5.3 billion in 2020, down 2 per cent from 2019, while total imports were up 14 per cent at USD 1.6 billion.⁶⁸ Even though exports in the first quarter of 2020 were badly impacted by measures to address the Covid-19 pandemic, timber companies were later allowed to operate with a 50 per cent reduction in manpower and exports were able to pick up again. The top five export destinations in 2020 by value were the US (USD 1.79 billion, +50 per cent), Japan (USD 660 million, -21 per cent), China (USD 540 million, +23 per cent), Australia (USD 210 million, -14 per cent) and Singapore (USD 200 million, -24 per cent).

In the first half of 2021, exports of wood products increased by 21 per cent compared to the same period the year before.⁶⁹ However, the government imposed new lockdown measures in June 2021 which severely impact the timber sector as companies were not allowed to operate except for factories producing furniture for hospitals and other medical-related matters. The Ministry of Plantation Industries and Commodities (MPIC) estimates that the timber sector has suffered losses in the region of MYR 60 million (USD 14.3 million) a day in the two months after the implementation of the lockdown.⁷⁰ In the first 10 months of 2021, the country's wooden furniture export earnings declined by almost 3 per cent year-on-year to MYR 8.15 billion (USD 1.94 billion) due to the lower production during the movement restrictions between June to September 2021.⁷¹

According to the Malaysian Furniture Council, exporters have been failing to meet overseas contracts and buyers have been forced to turn to alternative suppliers while at the same time demanding compensation from their Malaysian suppliers for breach of contract.⁷² At the same time, the industry has faced shortages of raw materials and foreign workers, a surge in ocean freight rates for containers, and stiff competition in pricing and quality from neighbouring Indonesia and Viet Nam. E-commerce became more common during the

⁶⁶ ITTO. [Biennial Review Statistics Database](#).

⁶⁷ IMF. [Policy Responses to COVID-19](#).

⁶⁸ ITTO. February 2021. Tropical Timber Market Report. [Volume 25 Number 4](#).

⁶⁹ ITTO. September 2021. Tropical Timber Market Report. [Volume 25 Number 17](#).

⁷⁰ ITTO. August 2021. Tropical Timber Market Report. [Volume 25 Number 15](#).

⁷¹ ITTO. February 2022. Tropical Timber Market Report. [Volume 26 Number 3](#).

⁷² The Sun Daily. 07 December 2021. [Furniture industry has lost more than RM 1.6 billion so far, says MFC](#).

Covid-19 pandemic and this was a challenge as not all products could be sold in e-markets.⁷³

To address the labour shortage, the government is negotiating with Bangladesh, Pakistan, India, Nepal, and Cambodia to attract foreign workers as soon as possible. The labour shortage in Malaysia arose mainly because the signing of a domestic worker memorandum of understanding with Indonesia was postponed.⁷⁴

A report by Hong Leong Investment Bank Research provides a positive outlook for the Malaysian furniture industry for 2022 due to a relaxation of the movement restrictions and robust demand growth from North America driven by work-from-home arrangements and the US-China trade dispute. Likewise, the Malaysian Timber Council (MTC) expects the timber sector to grow by 3-4 per cent in 2022 depending on log supply and the annual allowable cut agreed by each state.⁷⁵ However, challenges such as rising raw material costs, a labour shortage and concerns on labour practices persist.⁷⁶ To remain competitive, the MTC ascertains that industry players will need to embrace digital technologies and innovations, adopt new strategies to manage potential permanent shifts in logistics, production and supply patterns, and explore new business models and strategies to capitalise on opportunities presented by changes in consumption patterns and consumer behaviour caused by the pandemic.⁷⁷

Myanmar

The COVID-19 pandemic and Myanmar's ongoing political situation have had a severe impact on the country's economy. The World Bank estimates that the economy contracted by 18 per cent in Myanmar's 2021 fiscal year (October 2020 – September 2021), with damaging implications for lives, livelihoods, and poverty.⁷⁸ The share of Myanmar's population living in poverty is likely to have more than doubled by the beginning of 2022, compared with levels in 2019. While World Bank estimates for the 2022 fiscal year show signs of stabilisation in some areas and a 1 per cent GDP growth, the projection remains consistent with a critically weak economy, around 30 per cent smaller than it might have been in the absence of COVID-19 and the political turmoil.⁷⁹

Meanwhile, the value of the country's export trade with neighbouring countries in the period October 2020 – September 2021 was USD 8.9 billion, down by USD 1.3 billion (13 per cent) year-on-year.⁸⁰ The International Labour Organization (ILO) estimates that Myanmar lost 1.6 million jobs in 2021 following the February political turmoil in the midst of a third COVID-19 wave.⁸¹

⁷³ ITTO. February 2021. Tropical Timber Market Report. [Volume 25 Number 4](#).

⁷⁴ ITTO. March 2022. Tropical Timber Market Report. [Volume 26 Number 5](#).

⁷⁵ Malaysian Timber Council. 2022. [Timber Malaysia January-February 2022](#).

⁷⁶ ITTO. February 2022. Tropical Timber Market Report. [Volume 26 Number 3](#).

⁷⁷ Malaysian Timber Council. 2022. [Timber Malaysia January-February 2022](#).

⁷⁸ World Bank. July 2021. [Myanmar Economy Expected to Contract by 18 Percent in FY2021: Report](#).

⁷⁹ World Bank. January 2022. [Economic Activity in Myanmar to Remain at Low Levels, with the Overall Outlook Bleak](#).

⁸⁰ Ibid.

⁸¹ ILO. January 2022. [ILO estimates reveal 1.6 million jobs lost in Myanmar in 2021](#).

As for the forestry sector, according to data released by the Ministry of Commerce, timber exports have been declining over the past years.⁸² The value of timber exports reached USD 175 million in 2018-19, USD 154 million in 2019-20 and USD 116 million for the first 11 months of 2020-21. Verification of legality is considered one of the major causes of the decline, followed by the effect of pandemic control measures and political developments.⁸³ Forest Trends reports that countries imported USD 190 million worth of forest products from Myanmar between February and November 2021.⁸⁴

Timber exports were stalled between April-June 2021 as a result of a review of export regulations by the new administration. This was followed by the US and EU imposing restrictions on trade handled by the Myanmar Timber Enterprise (MTE), the state-owned enterprise responsible for supplying logs to mills in the country. Since MTE is the sole organisation allowed to sell logs to mills, the trade restrictions are having a serious impact on the timber industry.⁸⁵

In terms of COVID-19 impacts on MSMEs in Myanmar, a 2020 survey by the Wood-Based Furniture Association (WBFA) and the Myanmar Arts and Craft Association (MACA), and supported by the European Forest Institute (EFI) and the Sagawa Institute of Organization Development, found that COVID-19 severely impacted wood-based MSMEs in Myanmar. The survey findings indicate that COVID-19 forced the majority of enterprises to stop or permanently close their business, that COVID-19 was having a significant impact on employment and livelihoods, and that the majority of respondents had no or little access to COVID-19 relief programmes. The majority of respondents also faced shortages of raw materials.⁸⁶

Philippines

The COVID-19 pandemic and community quarantine measures imposed in the Philippines have severely impacted economic growth and poverty reduction. Growth contracted significantly by 9.6 per cent in 2020, driven by heavy declines in consumption and investments, and exacerbated by a sharp slowdown in exports, tourism, and remittances.⁸⁷ Nevertheless, the economy has started to recover with a 5.6 per cent year-on-year expansion in 2021, buoyed by two large stimulus packages, an accelerated reduction of corporate income tax rates and a recovery in the external environment.^{88,89}

As for the timber sector, the Philippines's imports of primary timber products (logs, sawn wood, veneer, plywood) and secondary processed products dropped by 13 per cent to USD 814 million in 2020, but rebounded by 37 per cent to USD 1.12 billion in 2021. Exports of the same dropped by 35 per cent from USD 115 million in 2019 to USD 74 million in 2020, but in turn increased by 38 per cent to USD 103 million in 2021.⁹⁰ In the first half of 2021, exports

⁸² ITTO. October 2021. Tropical Timber Market Report. [Volume 25 Number 19](#).

⁸³ Ibid.

⁸⁴ Forest Trends. March 2022. [Myanmar's Timber Trade One Year Since the Coup](#).

⁸⁵ ITTO. October 2021. Tropical Timber Market Report. [Volume 25 Number 19](#).

⁸⁶ ITTO. December 2021. Tropical Timber Market Report. [Volume 24 Number 23](#).

⁸⁷ World Bank. [Philippines Country Overview](#).

⁸⁸ Nikkei Asia. 27 January 2022. [Philippines GDP beats target with 5.6% growth in 2021](#).

⁸⁹ IMF. [Policy Responses to COVID-19](#).

⁹⁰ ITTO. [Biennial Review Statistics Database](#).

of sawn hardwood to China surged by 98 per cent year-on-year, mainly driven by a 5 per cent decline in the average price of hardwood in the Philippines.⁹¹

Singapore

The Singaporean economy contracted by 5.4 per cent in 2020 due to impacts of the COVID-19 pandemic and associated mitigation measures.⁹² However, growth rebounded in 2021 as the economy grew by 7.2 per cent.⁹³

As for the timber sector, Singapore's imports of primary timber products (logs, sawn wood, veneer, plywood) and secondary processed products increased by 4 per cent to USD 355 million in 2020, and by another 10 per cent to USD 392 million in 2021.

Exports of primary timber products and secondary processed products dropped by 20 per cent to USD 62 million in 2020, but rebounded by 10 per cent to USD 68 million in 2021.⁹⁴

Overall, Singapore's timber sector is small compared to the overall size of the economy.

4. ASEAN strategies to manage the impact of the COVID-19 pandemic on the timber sector

At the 37th ASEAN Summit on 12 November 2020, the ASEAN Member States adopted the ASEAN Comprehensive Recovery Framework (ACRF) which serves as the region's consolidated exit strategy from the COVID-19 crisis. The ACRF lays out five broad strategies on which ASEAN's recovery efforts will focus: (1) enhancing health systems, (2) strengthening human security, (3) maximising the potential of intra-ASEAN market and broader economic integration, (4) accelerating inclusive digital transformation, and (5) advancing towards a more sustainable and resilient future.⁹⁵

While not specific to the forestry sector, the ACRF lists several priority actions that benefit wood producers, manufacturers and exporters. These include:

Broad Strategy 2: Strengthening Human Security

- Advocating the institutionalisation of safety-net measures to support micro and small businesses that can be quickly activated in times of crisis, calamities and natural disasters, including exploring the topic of insolvency policies and support programmes for MSMEs.
- Promote business models that incorporate reskilling and up-skilling of workers.

⁹¹ ITTO. August 2021. Tropical Timber Market Report. [Volume 25 Number 16](#).

⁹² Ministry of Trade and Industry Singapore. 15 February 2021. [MTI Maintains 2021 GDP Growth Forecast at "4.0 to 6.0 Per Cent"](#).

⁹³ Nikkei Asia. 3 January 2022. [Singapore GDP rebounds 7.2% in 2021 as omicron looms](#).

⁹⁴ ITTO. [Biennial Review Statistics Database](#).

⁹⁵ ASEAN. [ASEAN Comprehensive Recovery Framework](#).

Broad Strategy 3: Maximising the Potential of Intra-ASEAN Market and Broader Economic Integration

- Reaffirm importance to keep the markets open for trade and investment to strengthen the resiliency and sustainability of regional supply chains and maintain the necessary flow of goods and services, to refrain from taking unnecessary measures that may affect the flow of essential goods, and to notify all trade-restrictive measures in compliance with existing WTO rules and the ASEAN Trade in Goods Agreement (ATIGA).
- Continue to upgrade ASEAN Plus One Free Trade Agreements as to seek further liberalisation, where possible, and deepen and broaden economic integration.
- Enhance ATIGA provisions with a view to increase intraregional trade and investment, including incorporating provisions in the ATIGA to strengthen supply chain connectivity and resilience and continue to upgrade ASEAN Plus One FTAs to adopt more trade facilitative measures, and seek further liberalisation, where possible, and to enhance economic integration.
- Enhance supply chain efficiency and resilience through development of trade routes and addressing key chokepoints.
- Sharing best practices on maintaining efficient port operations without unnecessary disruptions during pandemic/crisis.
- Continuous information sharing/exchange on business-related policies and measures introduced by AMS in response to COVID-19.
- Conduct an in-depth assessment to identify challenges and recommendations to support smallholder farmers in increasing their productivity and market access.
- Explore the development of an ASEAN SME Recovery Facility as a multi-contributor and co-financing platform to provide financing facility and accelerate the recovery of SMEs in ASEAN.
- Explore the development of a regional initiative to facilitate investment into ASEAN.
- Promote innovative financing approaches, including public-private partnership (PPP), to leverage on private capital to support infrastructure development and enhance regional connectivity in ASEAN.

Broad Strategy 5: Advancing Towards a More Sustainable and Resilient Future

- Implement the ASEAN Guidelines on Promoting Responsible Investment in Food, Agriculture and Forestry to increase resilience and contribute to the mitigation of and adaptation to climate change, natural disasters, and other shocks.
- Measures to address wildlife trafficking from the viewpoint of the biodiversity conservation sector are among others:
 - Enhance cross-sectoral coordination particularly with the AWG CITES on the efforts of enforcing wildlife protection laws and improving wildlife habitats, including through implementation of the ASEAN Heritage Parks Programme.
 - Engage relevant sectors and actors (including youth) to highlight the importance of nature-based solutions to prevent future pandemics through cross-sectoral collaboration and multi-stakeholder engagement and as part of ASEAN's agenda on mainstreaming biodiversity across relevant sectors; and

to encourage individuals and community to become 'bio-literate' to address future pandemic.

5. Conclusion

The timber sectors of most ASEAN Member States proved resilient throughout the COVID-19 pandemic. While lockdown measures, container shortages, and supply disruptions led to temporary reductions in trade, many Member States met and sometimes exceeded the production and export targets for their timber sectors.

All ASEAN Member States implemented pandemic-related response measures targeting the economy as a whole such as cash transfers, tax reductions and wage subsidies. In addition, a few Member States also introduced measures targeting the timber sector specifically. Such measures encompass deregulation, reductions in export duties, job creation incentives in forestry, as well as innovative production models to reduce the risk of workers contracting the COVID-19 virus. Private sector innovation and adaptation to the new situation as well as favourable demand-side developments also contributed to the resilience of the timber sector. At the regional level, the ASEAN Comprehensive Recovery Framework serves as a consolidated exit strategy from the COVID-19 crisis and complements national interventions.

Annex I: Acronyms

3-on-site	On-site production, on-site dining and on-site overnight
ACRF	ASEAN Comprehensive Recovery Framework
AMS	ASEAN Member States
ASEAN	Association of Southeast Asian Nations
ATIGA	ASEAN Trade in Goods Agreement
BIFA	Binh Dương Furniture Association
CITES	Convention on International Trade in Endangered Species of Wild Fauna and Flora
COVID-19	Coronavirus Disease 2019
EFI	European Forest Institute
EU	European Union
FLEGT	Forest Law Enforcement, Governance and Trade
GDP	Gross Domestic Product
HS code	Harmonized System Code
HIMKI	Indonesian Furniture and Crafts Industry Association
ILO	International Labour Organization
IMF	International Monetary Fund
ITTO	International Tropical Timber Organization
MACA	Myanmar Arts and Craft Association
MNRE	Ministry of Natural Resources and Environment
MPIC	Ministry of Plantation Industries and Commodities
MSME	Micro-, Small and Medium-sized Enterprises
MTC	Malaysian Timber Council
MTE	Myanma Timber Enterprise
MTIB	Malaysian Timber Industry Board

PPP	Public-Private Partnership
RECOFTC	The Center for People and Forests
SME	Small and Medium-sized Enterprises
USA	United States of America
USD	United States Dollar
VPA	Voluntary Partnership Agreement
WBFA	Wood-Based Furniture Association
WTO	World Trade Organization

Annex II - Overview of COVID-19 impacts and response measures in ASEAN Member States' timber sectors

Country	COVID-19 Impact on the Timber Sector	Response Measures Targeting the Overall Economy	Response Measures Targeting the Timber Sector Specifically
Indonesia	<p>Timber export earnings in 2020 were at USD 11 billion exceeding the original target for the year.</p> <p>In 2021, Indonesia achieved a 30 per cent increase in its forestry exports year-on-year</p> <p>Indonesia's timber exports outperformed the overall economy in 2020 and 2021.</p>	<p>USD 40.6 billion national economic recovery programme encompassing support to low-income households, expanded unemployment benefits and a reduced corporate income tax rate.</p> <p>Government incentives and a relaxation of regulations, such as via the Omnibus Law.</p>	<p>A reduction in export duties from 15 per cent to 5 per cent and adjusted regulations and duties on processed merbau, white meranti and yellow meranti, as well as support to SME operators in the form of capacity assistance, regulatory relaxations, subsidies, and certification/licensing support.</p>
Lao PDR	<p>Exports of wood, pulp, paper and furniture dropped by 27 per cent between 2019 and 2020 for major export markets, but quickly recovered in 2021 with growth outperforming pre-pandemic levels as exports surged by 289 per cent year-on-year</p> <p>Lao PDR's export growth in 2021 was mainly driven by trade with its main trading partner China.</p>	<p>Temporary reduction in electricity prices, income tax exemptions for low-income workers, profit tax exemptions for microenterprises, and a postponement of mandatory contributions to social security.</p> <p>Compensation of 60 per cent of workers' salaries, who participate in the social security scheme.</p> <p>Cash allowances to low-income households and provision of other subsidies for 6,000 low-income earners and informal sector workers.</p>	N/A

<p>Thailand</p>	<p>Thai exports of wood products (HS codes 44) fell by 4 per cent between 2019-2020, but rebounded in 2021 and increased by 33 per cent compared to 2020 to USD 2.85 billion.</p> <p>Thai exports of wooden furniture (HS code 94) increased throughout the pandemic, by 39 per cent between 2019-2020, and by 20 per cent in 2021 to USD 425 million.</p>	<p>THB 1.9 trillion (USD 58.6 billion) in financial assistance, a reduction of the withholding tax from 3 to 1 per cent from April to September 2020, as well as tax deductions for salary payments and cash disbursements</p>	<p>Financial support worth USD 13.3 million to forest sector laborers who had lost their jobs due to the pandemic.</p> <p>Informal laborers from local communities living nearby forested lands and informal laborers working as part-time officers under the authority of governmental departments have been offered jobs (more than 16,000 vacancies).</p> <p>The scheme was later extended from October to December 2020 and expanded to employ 10,000 temporary employees assigning them on tasks of forest firebreak establishment, reforestation, and other data field survey and monitoring.</p>
<p>Viet Nam</p>	<p>Vietnam's wood and wood product exports increased by 16 per cent in 2020 compared to 2019. In 2021, wood and wood product exports reached USD 14.8 billion, up 20 per cent year-on-year. In the first five months of 2022 wood and wood product exports stood at USD 7.2 billion, up 7 per cent over the same period in 2021.</p> <p>Exports saw a downturn in July 2021 when the entire Southern Region of Viet Nam was placed under lockdown but started to rebound by October as restrictions were eased.</p> <p>Factory closures in Viet Nam have forced Chinese investors to put expansion plans on hold. Chinese</p>	<p>Financial support to businesses to ensure the payment of wages, corporate income and business registration tax cuts, cash transfers, and reductions in electricity costs, rents for state-owned land, and contribution rates for unemployment funds</p>	<p>To avoid production disruption during the lockdown, many wood processing factories asked for permission to implement the model of '3-on-site' which means on-site production, on-site dining and on-site overnight. A survey showed that among 100 wood enterprises which have been operating the model, 71 have ensured operations while 29 have been unable to avoid infection clusters.</p>

	<p>furniture companies also increasingly shifted their sourcing from Viet Nam to China.</p> <p>Lockdown measures severely affected wood villages in Viet Nam. According to a survey, production dropped by 62 per cent, income by 90 per cent and only 46 per cent of household businesses were still operational by the time restrictions were eased in 2021.</p> <p>Looking ahead, the Vietnam Timber and Forest Production Association announced in February 2022 that it aims to achieve wood and wood products exports of USD 18 billion in 2022</p>		
Brunei Darussalam	<p>Imports of primary timber products and secondary processed products increased by 0.9 per cent to USD 6.4 million in 2020, but then dropped by 11 per cent to USD 5.7 million in 2021.</p> <p>Exports of the same significantly dropped by 99 per cent from USD 257,000 in 2019 to USD 2,400 in 2020.</p>	Tax, utility and social security deductions/deferments to assist hardest-hit households and firms	N/A
Cambodia	<p>Imports of primary timber products and secondary processed products dropped by 11 per cent to USD 187 million in 2020, but rebounded by 19 per cent to USD 222 million in 2021.</p> <p>Exports of the same products increased by 2 per cent to USD 212 million in 2020, and by another 49 per cent to USD 313 million in 2021</p>	Cash transfers to workers in need and tax cuts for companies in certain industries, such as the garment and tourism sector.	N/A
Malaysia	<p>Timber exports dropped by 2 per cent to USD 5.3 billion in 2020 while total imports were up 14 per cent at USD 1.6 billion year-on-year.</p> <p>In the first half of 2021, exports of wood products increased by 21 per cent year-on-year.</p> <p>The government imposed a second lockdown in June 2021. The timber sector suffered losses in the region</p>	<p>Fiscal stimulus packages targeting the whole economy covering temporary tax and social security relief; cash transfers to affected sectors and wage subsidies</p> <p>To address the labour shortage, the government is negotiating</p>	<p>Timber companies were allowed after the first lockdown in 2020 to operate with a 50 per cent reduction in manpower.</p> <p>During the lockdown in 2021, companies were not allowed to operate except for factories</p>

	<p>of RM60 million (USD 14.3 million) a day in the two months after the implementation of the 2021 lockdown.</p> <p>Exporters have been failing to meet overseas contracts and buyers have been forced to turn to alternative suppliers while demanding compensation from their Malaysian suppliers for breach of contract.</p> <p>The industry has faced shortages of raw materials and foreign workers, a surge in ocean freight rates for containers, and stiff competition in pricing and quality from neighbouring Indonesia and Viet Nam.</p> <p>E-commerce became more common during the Covid-19 pandemic and this was a challenge as not all products could be sold in e-markets</p>	<p>with Bangladesh, Pakistan, India, Nepal, and Cambodia to attract foreign workers</p>	<p>producing furniture for hospitals and other medical-related matters.</p>
Myanmar	<p>Timber exports have been declining over the past years. The value of timber exports reached USD 175 million in 2018-19, USD 154 million in 2019-20 and USD 116 million for the first 11 months of 2020-21.</p> <p>Timber exports were stalled between April-June 2021 as a result of a review of export regulations by the new administration.</p> <p>COVID-19 forced the majority of MSME respondents to a survey to stop or permanently close their business. COVID-19 was also having a significant impact on employment and livelihoods, and the majority of respondents had no or low access to COVID-19 relief programmes. The majority of respondents also faced shortages of raw materials.</p>	<p>Exemptions and subsidies of household electricity charges, deferment of income and commercial tax payments, exemption of the 2 percent advance income tax on exports, waiver of specific goods tax.</p> <p>In-kind and cash transfers to the most vulnerable population.</p> <p>Spending programmes to support rural and agriculture sectors.</p>	N/A
Philippines	<p>Imports of primary timber products and secondary processed products dropped by 13 per cent to USD 814 million in 2020 but rebounded by 37 per cent to USD 1.12 billion in 2021.</p>	<p>Two large stimulus packages and an accelerated reduction of corporate income tax rates.</p>	N/A

	Exports of the same dropped by 35 per cent from USD 115 million in 2019 to USD 74 million in 2020, but in turn increased by 38 per cent to USD 103 million in 2021.		
Singapore	Imports of primary timber and secondary processed products increased by 4 per cent to USD 355 million in 2020, and by another 10 per cent to USD 392 million in 2021. Exports of the same products dropped by 20 per cent to USD 62 million in 2020, but rebounded by 10 per cent to USD 68 million in 2021.	Cash pay-outs to all Singaporeans and additional payments for lower-income individuals and the unemployed. Wage subsidies, job creation, support to cover rental costs, an enhancement of financing schemes, and additional support for the self-employed and industries most directly affected.	N/A

Cover photo: Maria Murliantini, owner of Sunteak Furniture Company in Jepara, Indonesia supervises a worker. Robertus Pudyanto, EFI.

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