



# Vietnam's cross-border timber crackdown and the quest for state legitimacy

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## ABSTRACT

The cross-border timber trade between Cambodia and Vietnam provides a window into frictions between different tiers of government in Vietnam. Divergent central and provincial government interests in the cross-border timber trade show that state legitimacy is multi-dimensional and can stem from conflicting sources. The central government's recent devolution of regulatory powers over the cross-border timber trade has enabled provincial authorities to increase illicit timber flows from Cambodia to finance local economic agendas. Timber imports have become a key revenue source for provincial budgets. They are also critical to the burgeoning Vietnamese wood processing sector and to the livelihoods of thousands of wood processing households in the Red River Delta region. Meanwhile, the central government has made a commitment to its international trading partners to stem the trade of illegally harvested timber from countries such as Cambodia. The corruption associated with these timber imports, often involving high-level provincial officials, has added to public concern about corruption in Vietnam and further eroded the central government's political legitimacy. Thus, the timber trade sustains the legitimacy of provincial actors by supporting economic development and local livelihoods, but undermines both the international reputation and domestic legitimacy of the central government. The central government has responded by 'performing' corruption crackdowns on provincial officials in an effort to restore its political legitimacy. Through a high-profile case of Cambodian timber imports, we reveal the conflicting sources of legitimacy that the state must continually navigate across provincial and central axes, and between domestic and international spheres, which play out through state practices and representations.

## 1. Introduction

Over the past three decades, Vietnam's economy has liberalized and become increasingly engaged with global markets and commodity chains. This process of incorporation in international markets and trading agreements has brought with it expectations that the Vietnamese government will meet international standards of supply chain governance – processes that are subject to both lobbying and monitoring by globally-connected civil society groups and environmental non-governmental organizations (NGOs). In this context, Vietnam's cross-border timber trade has come under growing international and domestic scrutiny. Critics have accused the government of facilitating illegal logging and trade due to weak regulation and corruption. Our analysis finds a more complex picture that goes beyond questions of legality and illegality, to more fundamental aspects of state-making and legitimacy. Specifically, the cross-border timber trade reveals the multi-dimensional nature of state legitimacy at the central and provincial level, and how the Vietnamese government's representations and practices (Gupta, 1995) vis-a-vis timber ultimately reflect a struggle to retain authority and legitimacy in a changing world.

Laos and Cambodia are key sources of timber for Vietnam's

burgeoning wood processing sector, but both have formally banned timber exports. Laos was once a major timber supplier to Vietnam, with the volume of cross-border trade peaking at about 1 million cubic meters per annum until these exports were banned. In the face of public pressure over rampant deforestation and corruption, in May 2016 the Lao Prime Minister banned timber exports to Vietnam and other countries. Cambodia officially banned the export of logs and sawn wood as early as 1996, yet by January 2016, around 0.5 million cubic meters of Cambodian timber was still being transported across the border to Vietnam annually (Environment Investigation Agency (EIA), 2017).

The official positions of the Cambodian and Lao governments, and the fact that timber is often sourced from protected forest areas, has led environmental NGOs, to focus on the illegality of timber imports to Vietnam. In fact, the legal status of a specific shipment of timber can be ambiguous where there are unclear rules and weak enforcement, or overlapping and conflicting jurisdictions as occurs among Cambodian government agencies and between the two countries (Milne, 2015; Billon, 2002; Environment Investigation Agency (EIA), 2017). Given the challenges in determining the legality of specific shipments of timber (see also McElwee, 2004), European and North American buyers

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have started to use the term “high-risk” to describe timber products sourced from these countries, since it has a high likelihood of contributing to deforestation in settings of weak forest governance, conflicting jurisdictions, and weak enforcement (e.g. see The European Union’s Forest Law Enforcement Governance and Trade (FLEGT) Action Plan and Chatham House guidance).<sup>1</sup> For consistency, we also use the term “high-risk” in this paper, as our case study deals specifically with the FLEGT agreement.

The continued supply of good quality timber is crucial to Vietnam’s expanding wood processing industry, which currently requires about 2 million cubic meters annually (To et al, 2018a).<sup>2</sup> Timber imports have therefore grown exponentially in recent years despite the Vietnamese government’s stated commitment to exclude all high-risk timber from the supply chain under agreements with a range of trade partners. A key driver of the high-risk timber trade is Vietnam’s domestic timber shortage – a result of the country’s ban on logging of natural forests amidst rising timber demand from the processing sector (Meyfroidt & Lambin, 2009). Corruption is also cited as another key driver of timber imports, as these imports provide substantial revenues for private and state actors (To et al., 2014).

Beyond these well-known drivers and trends, the ongoing trade in high-risk timber provides an important window into contemporary political life in Vietnam. Vietnam’s central government has undergone important transformations since the second half of the 1990s, with key decision-making powers being transferred to provincial governments in areas such as fiscal governance, cross-border trade and environmental management. This decentralization process has impacted the center’s control over the cross-border timber trade, as some border checkpoints previously managed by the central government have come under the authority of provincial People’s Committees (PPCs). Meanwhile, the central government has made international commitments to comply with the standards set by the countries that buy Vietnamese wood products. In 2010, the government commenced negotiations for a Voluntary Partnership Agreement (VPA) with the European Union (EU), under the EU’s FLEGT Initiative. These negotiations were completed in May 2017.<sup>3</sup> Under the Agreement, in addition to responsibly managing Vietnam’s own natural forests, the government must also guarantee the legality of Vietnam’s timber products to European buyers. In other words, the central government has undertaken to remove high-risk timber from the value chain for products targeting the EU.

At a crucial stage of the VPA negotiations, the government’s commitment to exclude high-risk timber from Vietnamese wood products was called into question when evidence emerged of substantial volumes of suspect timber imports from Cambodia entering Vietnam. The findings were published in a report by the EIA, an international NGO. The EIA described the imports as “a massive illegal timber grab by Vietnamese companies”, whereby Cambodian officials overseeing the illegal logging colluded with Vietnamese officials, who organized and “laundered” the timber consignments<sup>4</sup> (EIA, 2017, p. 2). The report’s publication was timed to gain maximum impact, being released just days before the final round of VPA negotiations. Several major international news outlets carried stories about the EIA report, highlighting the role of

<sup>1</sup> <http://www.euflegt.efi.int/illegal-logging-media>; <https://www.illegal-logging.info/sites/files/chlogging/uploads/DuediligenceanalysisChathamHouse.pdf>.

<sup>2</sup> In addition to Cambodia and Laos, other high-risk sources of timber imported into Vietnam are African countries. This figure of 2 million cubic meters only includes amounts officially recorded by Vietnamese customs at the time of import and is therefore likely an under-estimate, as most high-risk timber imports are not documented.

<sup>3</sup> The VPA was formally signed by the EU and Vietnamese government on 19 October 2018.

<sup>4</sup> Here, laundering refers to the preparation of documentation to badge a timber shipment as ‘legal’, regardless of the actual circumstances of its harvesting and transport.

official corruption in Vietnam and Cambodia in enabling trade in illegally-harvested timber. Rather than halt the negotiations, however, on 11 May 2017 the EU and Vietnamese government publicly declared a commitment to “tackle illegal logging ... [and to] develop procedures and legislation requiring importers to conduct due diligence to prevent illegally-harvested timber from entering Vietnamese supply chains.”<sup>5</sup> The evidence contained in the EIA report triggered a swift response from the central government, who dispatched senior officials to border provinces to investigate.

What ensued was a set of interactions between provincial and central government actors that provides important insights into the tensions facing the Vietnamese state today. This paper seeks to understand why the high-risk timber trade has continued across Vietnam’s borders in contravention of the VPA. To do this, we first look at state practices and representations around the issue of the timber trade (Gupta, 1995; Migdal, 2004; Sharma & Gupta, 2006). In particular, we examine the relationship between central-provincial governments, and find conflicting sources of state legitimacy at different tiers of government, and that corruption – and measures to address it – play a multi-dimensional role (Tuong Vu, 2016a; Gainsborough, 2010; Jandl, 2014). While both central and provincial governments rely on the revenue derived from the timber trade to secure both economic benefits and political legitimacy, the corruption associated with this trade threatens the legitimacy of the central government in both domestic and international spheres. The case of the high-risk timber shipments uncovered by the EIA ultimately highlights significant tensions between central and provincial governments arising from these differing sources of legitimacy. It therefore contributes to an understanding of intra-state relationships and how legitimacy is produced or weakened in decentralized states (Horowitz, 2009; Purcell & Nevins, 2005).

In Section 2, we start by reviewing the literature on state legitimacy in the context of decentralized authoritarian states such as Vietnam. Section 3 explains our research methodology and provides relevant background on the cross-border trade in high-risk timber. Section 4 presents the case analysis of central-provincial government power relations in the timber trade context. Section 5 concludes the paper with a discussion of what the case demonstrates about central-provincial government power relations and the state’s quest for legitimacy.

## 2. State legitimacy in an authoritarian context

Studies of state authority often emphasize the role of state rules and regulations in economic relationships (Purcell & Nevins, 2005). However, Gupta (1995), Migdal (2004), and Sharma and Gupta (2006) suggest an ethnographic approach can more usefully reveal the “representations and practices” that help to construct states as “a field of power” (Migdal, 2004, pp. 15-16). The practices that are routinely performed by state actors and agencies are integral to constructing states as a “coherent, controlling organization in a territory” (ibid.). Also crucial to state authority is its discursive construction or representation in specific ways through public culture (Gupta, 1995, p. 385), the media and other modes of communication such as – in the Vietnamese context – state propaganda (Appadurai, 1990; in Gupta, 1995, p. 385). This study of the Vietnamese state and the quest to maintain legitimacy will therefore attend to the “everyday practices of local bureaucracies” as well as “discursive constructions of the state in public culture” (Gupta, 1995, p. 375).

Although these practices help to bolster state authority, internal dissonance or lack of coherence is common. As Migdal observes, in practice a state consists of loosely connected or fragmented parts with conflicting sets of rules, interests and practices (2004). State officials working at different agencies and scales are subject to varying

<sup>5</sup> [http://www.euflegt.efi.int/vietnam-news/-/asset\\_publisher/FWJBFN3Zu1f6/content/eu-and-vietnam-conclude-vpa-negotiations](http://www.euflegt.efi.int/vietnam-news/-/asset_publisher/FWJBFN3Zu1f6/content/eu-and-vietnam-conclude-vpa-negotiations).

discourses and levels of accountability (Gupta, 1995). Differences in perspectives and action also occur between leaders and their staff, for instance in making resource distributions and exercising control (Migdal, 2004). In this context, discursive techniques such as organizational charts, seals, promotional images, and control of media messaging (Sharma & Gupta, 2006) are often used to promote the appearance of a single and coherent state (Gupta, 1995; Migdal, 2004). Such representations may be constructed by those inside and outside state territory – an example being international agreements where states are discussed as a unitary entity (Migdal, 2004). Yet the state is not only a juridical-political apparatus but an entity whose power and capacity are shaped by the perceptions of a domestic and international community (Jessop, 2008, p. 6). These practices and discourses tend to produce a “veneer of consistency, systematically, centralized control, and... wholeness” that strengthens state authority by masking internal contradictions and tensions (Sharma & Gupta, 2006, p. 19). As we discuss later, these internal contradictions can become even more pronounced in a decentralized system.

These discursive and dissonant aspects of the state hold important implications for state legitimacy. Here, legitimacy is defined as “a sense that it is ‘right and proper’ to respect the authority and abide [state] rules” (Easton, 1965; in Horowitz, 2009, p. 249). Easton further distinguishes between ideological legitimacy, produced by states’ moral underpinnings; structural legitimacy triggered by the acceptance of the government’s rules and norms, which enable authorities to exercise political power; and personal legitimacy, or the trust placed in individual authorities due to their personal character (1965, p. 249–250). According to Horowitz (2009), legitimacy is subjective, and shaped by moral codes, belief systems, and pre-existing beliefs, as well as desires and social structures. When it comes to state legitimacy, these elements interact in complex ways.

State legitimacy ultimately rests upon a politically stable relationship between a state and its citizens (Purcell & Nevins, 2005). Where citizens willingly accept and follow state rules and regulations, this has the effect of legitimizing state authority (Sikor & Lund, 2009). Legitimacy can also be sustained where the state secures economic opportunities for its citizens, along with other objectives such as territorial security, protection of political rights, and preserving the nation’s cultural character (Purcell & Nevins, 2005). In short, to obtain and maintain political legitimacy, state actors and agencies have to respond to and accommodate citizens’ interests, which may also be contingent, differentiated, and dynamic (ibid.).

How do these conditions for state legitimacy transfer to authoritarian settings such as Vietnam, where state actors are not elected by the populace? Studies of the Chinese state have documented three major characteristics of one-party state authority and power. First, in such settings, legal institutions are not transparent or independent, and power is held hierarchically by individual leaders (Malesky & London, 2014; Huang, 2000). Second, policy is usually made through informal processes within the ruling party and is generally shaped to further state interests (Huang, 2000). Finally, commonly used international measures of governance point to an overall decline – rather than any discernible improvement – in national rules and regulations over time (Malesky & London, 2014). The Vietnamese state has been characterized in similar terms (Gainsborough, 2010; Jandl, 2014).

More recently, authoritarian governments in China and Vietnam have devolved various powers to provincial governments. In theory, this move toward decentralization is informed by the view that provincial and local authorities will have a better understanding of local needs, and therefore basing certain decision-making powers at this level will better serve local interests and improve resource use efficiency (Besley & Coate, 2003; Malesky, Gueorguiev, & Jensen, 2015; Vu, 2016b). Decentralization is also seen as a vehicle for less bureaucratic intervention from the center, so that local authorities can promote Foreign Direct Investment and other modes of economic development (Huang, 2000; Vu, 2016a; Malesky & London, 2014). As stated above,

these activities are ultimately important to overall state legitimacy (Jessop, 2008; Purcell & Nevins, 2005). In practice, however, decentralization may play out in diverse ways.

For one-party states like China and Vietnam, decentralization can pose significant challenges, complicating practices and relationships within the state. Studying center–province relationships in China, Sheng (2009) finds that the economic prosperity of certain provinces, enabled by decentralization, poses potential threats to national authority. This is because provincial authorities with reduced economic dependence on the center can become more assertive and at times resist central authority (ibid). Wang (in Edin, 2003, p. 63) finds that in some circumstances “the center has difficulty coordinating its own agents’ [i.e. provinces’] behavior”. Strong economic performance also provides individual incentives to provincial officials, namely the opportunity to climb the political ladder and to garner personal benefits (Edin, 2003; Sheng, 2009). In the Vietnamese context, Jandl (2014) observes that strong economic performance similarly advances the political careers of provincial officials, not for the traditional actions of obeying the party line, but because of their capacity to deliver economic success.

In contrast, decentralization can also perversely increase the central government’s power in some spheres (Huang, 2000). This happens where decentralization has been partial and top down in its implementation (ibid., also see Vu, 2016b for Vietnam). Central authorities can employ various strategies to control their provinces, such as by promoting or demoting officials. Officials who follow central guidelines, strengthen economic performance and maintain peace and order can gain opportunities for promotion, while those who underperform risk demotion (Huang, 2000). In the Vietnamese context, Vu, 2016a finds that central government control over political power and personnel appointments has been a key arena for the exercise of central power. Therefore, although Vietnam’s decentralization has reconfigured economic management, the central government has tended to retain ultimate authority to make decisions regarding political and personnel matters (ibid.). These differing accounts of decentralization on the one hand show provinces seizing power and on the other show the center’s efforts to confine this power. In this paper, we show that both can occur, a finding that points to a fundamental tension between different state actors and tiers of government in contemporary authoritarian systems such as China and Vietnam.

In these authoritarian settings there is growing public concern about widespread corruption, and the lack of independent and transparent monitoring mechanisms (Gainsborough, 2010; Jandl, 2014; Vu, 2014; Vuving, 2013). Our case study adds that corruption also has important implications for state legitimacy. It can challenge representations of the state as always acting in the national interest, instead directing attention to how private individuals, usually within the party system, are able to garner personal benefits. This disconnect can challenge state legitimacy, as Vuving (2013, p. 330) has observed in Vietnam: “the state has a legitimacy crisis and... the central cause of this crisis is corruption.” Senior government officials themselves have frequently warned that corruption may ultimately weaken faith in the political system to the point of collapse. Fighting corruption has therefore become almost as important as economic development as a foundation for state legitimacy in these authoritarian political systems.

This paper therefore uses the case of the cross-border timber surge and associated corruption as a window into state practices and representations, and the implications for state legitimacy. The timber trade ultimately represents both an opportunity and a threat to the legitimacy of different state actors at different tiers of government. We pay particular attention to the dynamics of center-province power relations in Vietnam, founded upon conflicting sources of legitimacy. In this case, within an environment of decentralization and market intensification, the central government has attempted to control provincial authorities via the performance of corruption crackdowns in order to retain reputational and political legitimacy, while the provincial authorities embroiled in the high-risk timber trade defend their

actions on the basis that they are necessary to both economic prosperity and their own economic legitimacy.

### 3. Methods

This paper draws on a range of primary and secondary data, including field interviews and observations undertaken over a ten-year period of research. The lead author has studied the Vietnamese timber trade since 2008 and through his professional networks has access to timber trade data from Vietnam's General Department of Customs. The customs data obtained via these networks is in the public domain.<sup>6</sup> This data provided an indication of changing trends in Vietnam's timber imports from Cambodia, particularly from the commencement of Vietnam's VPA negotiations in 2010.

Media reports by local newspapers and agencies were a key information source on state practices and representations regarding the timber trade, including the implementation of government rules and regulations on timber importation, processing and trade, as well as the corruption crackdown. These articles discuss the roles of various central and provincial agencies and also name specific officials. Key agencies at the central level that are in charge of timber trade policy formulation include the Ministry of Agriculture and Rural Development (MARD), Ministry of Industry and Trade (MOIT) and Ministry of Finance (MOF). At the provincial level, departments of industry and trade, border protection, customs, agricultural and rural development play a direct role in timber importation, processing and trade. In this paper, we focus on the relationship between central and provincial authorities, particularly their practices around the high-risk timber trade and how these practices strengthen or weaken their image in the public eye. We use the terms 'central' and 'provincial' government in this paper without implying that government agencies are coherent or binary, but in order to avoid naming specific agencies and actors.

Media reports were supplemented with key respondent interviews and observations undertaken during the lead author's work on forest policy in Vietnam with an international NGO (hereafter called the international NGO). Through his work with the international NGO on the VPA negotiations in 2016–2017, the lead author interviewed a total of 12 respondents, which served to deepen our understanding of the perspectives and actions of state actors and to verify insights from media and public sources. These "embedded" perspectives on national and regional timber associations in Vietnam, provincial authorities in Gia Lai province that borders Cambodia, and Vietnamese traders importing timber from Cambodia are presented in an anonymized form (see above). At the central government level, discussions with officials from MARD and MOIT centered on import and trade policies, their perspectives on timber imports from Cambodia, and on the role of provincial governments in regulating illegal imports. At the provincial level, discussions with representatives from the departments of customs, agriculture and rural development in Gia Lai enabled us to understand the particular activities of these agencies in supervising timber imports and trade. These interviews also provided us with information on the role of timber in terms of tax revenues and local development. Gia Lai was selected as it is a key province for Cambodian timber imports, accounting for over 50 percent of total imports into Vietnam from Cambodia. In Gia Lai, the lead author interacted informally with importers who shared information regarding their timber procurement practices and their interactions with border officials. From 2016 to 2018, the lead author also visited two major border crossings on the Vietnamese side to observe import practices.

Through the lead author's networks, we gained permission to use survey data gathered by the Vietnam Timber and Forest Products Association (VIFORES) and an international NGO. This survey data was

<sup>6</sup> These reports are posted on the Vietnam Timber Association website at <http://goviet.org.vn/bai-viet/bao-cao-tai-chinh>.

obtained from semi-structured interviews with 120 households in five wood processing villages in the Red River Delta region in Vietnam where high-risk imported timber, including timber from Cambodia, was used.<sup>7</sup> The survey data substantiated the particular role of imported timber in local livelihoods, a concern flagged by provincial authorities. From 2012 to 2018, the lead author also visited many households in these five villages to observe livelihood activities, particularly those related to wood processing and trade. These village visits informed our understanding of the importance of Cambodian timber imports for local livelihoods, as well as factors shaping local compliance and non-compliance with state policies.

Finally, our paper makes use of government policy documents concerning decentralization, the international timber trade and national budgetary systems. In addition, we interviewed representatives from two NGOs in Cambodia, who shared with us information on Cambodia's forest governance, and how they used their knowledge on cross-border timber trade to pressure the EU and the Vietnamese government during VPA negotiations.

As noted earlier, all names are anonymized in this paper, unless they are drawn from publicly available documents.

### 4. Case study background: illegal timber and the cross-border trade

Timber processing is a vital sector in Vietnam. In 2017, around 4300 enterprises and 300,000 workers were engaged in timber processing (To et al, 2019). The sector is export-oriented, generating nearly USD 9 billion in export revenue in 2018. Vietnam is now the second-largest timber product exporter in Asia after China, and the world's fifth largest.<sup>8</sup> Some 340 wood processing villages and about 24,000 wood-processing households produce timber products for the Vietnamese and Chinese markets (To et al, 2017).<sup>9</sup>

As noted in the Introduction, Vietnamese producers now need to respond to a range of new legal requirements for timber products that aim to exclude illegal timber from the global supply chain.<sup>10</sup> Key among these is the FLEGT Action Plan initiated by the EU in 2003, aimed at strengthening sustainable forest management, improving governance and promoting trade in legally-produced timber. The EU Timber Regulation (EUTR) - part of the FLEGT Action Plan which came into force in March 2013 - aims to halt the trade of high-risk timber on the EU market.

At the same time, the cross-border timber trade remains essential to the continuation of Vietnam's wood processing industry and associated export revenue. This is in part because the Vietnamese government adopted a partial logging ban on natural forest areas in the 1990s, which in 2016 was extended to the entire country. At present, plantation timber (mainly acacia and rubberwood) is the primary domestic timber source. However, this timber is low quality and the harvested volume is not enough to supply the wood processing industry. As a result, the sector relies heavily on imported timber, currently estimated

<sup>7</sup> Almost all Vietnamese wood processing villages use high-risk imported timber. The majority of these villages are located in the densely populated Red River Delta region in northern Vietnam.

<sup>8</sup> Taken from Prime Minister Nguyen Xuan Phuc's speech at the national conference on 'Orientation, solution for rapid and sustainable development of export-oriented wood processing industry', 29 August 2018.

<sup>9</sup> These wood processing villages are the places where the majority of high-risk timber is turned into final or semi-final products and then exported or sold on the domestic market.

<sup>10</sup> In the US, the *Lacey Act*, which commenced in May 2008, makes the trade of illegal timber on the US market a criminal offence. The Australian government followed suit, introducing the *Illegal Logging Prohibition Act* in 2012 to ban illegal logging and associated trade. These developments require the Vietnamese government to ensure that timber products exported to these countries comply with their legality requirements.



at 4–4.5 million cubic meters (m<sup>3</sup>) per annum (To et al., 2019). Half of this imported timber comes from high-risk countries, including Cambodia (ibid.).<sup>11</sup> All high-risk timber imports are tropical species of high value. These species are used to produce furniture for the domestic and export markets.

The Vietnamese government's regulation of high-risk timber centers on documentation; as long as traders are able to provide the necessary documents to legally import timber (e.g. sales contracts, tax invoices, and a log list), the import is considered “legal”. This approach has enabled Cambodian timber to be imported into Vietnam by provincial governments, with import data even being recorded by the border customs offices. Meanwhile, environmental NGOs that have close contact with the EU, such as EIA and FERN, argue that timber exports from Cambodia are illegally sourced.<sup>12</sup> Vietnam's continued importation of timber from Cambodia – a high-risk country – therefore sits awkwardly with the government's commitment to stem illegal logging under the VPA. The surge in timber imports from Cambodia which came to light during the VPA negotiations became particularly problematic, as we detail below.

## 5. The timber scandal and center-province politics

### 5.1. Official collusion in the timber surge

From late 2016 to early 2017, there was an unprecedented surge in Cambodian timber exports to Vietnam. Cambodia is Vietnam's largest high-risk timber supplier, exporting around 400,000–500,000 m<sup>3</sup> of timber into Vietnam every year (To et al., 2018b). Coming in the thick of Vietnam's FLEGT VPA negotiations, this surge triggered a field investigation by the EIA. Results from the investigation were released two days before the EU and the Vietnamese Government met to conclude the VPA negotiations in May 2017. The EIA report revealed that a larger than usual volume of timber – 300,000 m<sup>3</sup> – was imported from Cambodia into Vietnam via border crossings in Gia Lai province between December 2016 and February 2017. EIA argued that the import was illegal, as the timber was logged in Cambodian protected areas. An excerpt from the EIA report reads:

*“a massive illegal timber grab by Vietnamese companies is ongoing in two national parks and a wildlife sanctuary in Cambodia ... The logging and timber smuggling is being protected by corrupt Cambodian state and security force officials, while wood is laundered on import by the Vietnamese state ...”* (Environment Investigation Agency (EIA), 2017, p.18).

The EIA report went on to allege that the imports were enabled by the provincial People's Committee (PPC) of Gia Lai province, under the province's formal import quota system and systemic corruption and collusion involving local officials from various agencies in both countries. It questioned whether the Vietnamese government had a genuine commitment to stem illegal logging and trade.

The accusation that Vietnamese government officials were heavily involved in illegal timber imports from Cambodia drew international media attention during the final stages of the VPA negotiations. That week, news stories about the incident were widely reported by Reuters, the Diplomat, the Washington Post, the Australian Broadcasting Corporation, and the New York Times.<sup>13</sup> These media reports blamed

<sup>11</sup> The other half is timber with clear legal status, or so-called ‘clean timber’, imported from the US, EU, New Zealand, and other countries.

<sup>12</sup> Information on FERN can be found at: <https://www.fern.org/about-us/>.

<sup>13</sup> Report by Reuters: <https://www.reuters.com/article/cambodia-logging/illegal-log-exports-from-cambodia-surge-report-idUSL4N1I9097>; Report by the Diplomat: <https://thediplomat.com/2017/05/why-is-cambodias-illegal-logging-problem-still-rolling-on/>; Report by the ABC: <http://www.abc.net.au/news/2017-05-08/illegal-logging-prompts-calls-for-australian-import-checks/8507852>; Report by Mongabay at: <https://news.mongabay.com/2017/05/>

the Vietnamese government and the EU for failing to halt the illegal timber trade and questioned the legitimacy of the VPA negotiations, intensifying international pressure on both parties.

Pressure was also mounted on the Vietnamese government and the EU by local NGOs in Cambodia. The director of the Cambodian Human Rights Task Force (CHRTF) who won the 2016 Goldman Environmental Prize for his battle against illegal logging in Cambodia, submitted an ‘Urgent Appeal’ to the European Parliament on 10 May 2017. The appeal called on EU members to boycott the ratification of the VPA or else the “EU would be responsible and faced forest crime [sic]” (Cambodian Human Rights Task Force (CHRTF), 2017). The director also emailed his letter to donor agencies, international NGOs, and international media outlets. In his email, the director called for coordinated pressure on the EU to prevent the VPA or “the fate of forest in Cambodia and Laos will be terminated soon,” and the EU would be complicit in “looting and laundering illegal wood products from Cambodia and Laos.” The appeal was submitted to the EU two days before the VPA negotiations were due to conclude.

The Vietnamese government strongly condemned the EIA accusations, arguing that the trade was legal because traders held all required documents and permissions from Cambodian authorities to enable the imports. Despite these revelations, the EIA report and subsequent negative media coverage failed to derail the VPA, but did force some additional conditions on Vietnam.<sup>14</sup> The Vietnamese government was heavily criticized and questioned by the EU about the continuation and growth in timber imports from Cambodia. In the words of the Vietnam FLEGT coordinator: “We faced tough difficulties in responding to the EU.” (pers. comm. August 2017). Eventually, the Vietnamese government had to promise the EU that they would examine and control these imports.

In practice, the central government's efforts to crack down on the provincial authorities involved in the Cambodian timber imports and to regulate the sector has proved challenging, as the next section illustrates.

### 5.2. Timber importation and center-province politics

Before 2009, timber imports from Cambodia were centrally controlled by the Vietnamese Ministry of Industry and Commerce (now MOIT) under relatively more stringent procedures. For example, Circular 04 dated 6 April 2006 required Vietnamese companies importing Cambodian timber to obtain an import permit from MOIT (MOIT, 2006). Furthermore, Circular 04 only allowed timber imports to take place at 14 major border crossings between the two countries, not smaller “supplementary” crossings.<sup>15</sup>

These procedures subsequently changed with decentralization. MOIT's Circular 13 of 3 June 2009 granted provincial PCs “in the localities with supplementary border crossings [with neighboring countries] ... [to] issue permits to import commodities” (MOIT, 2009, Article 3, Circular 13). This shift in the regulatory arrangements for the cross-border timber trade coincided with a significant increase in timber imports, and emboldened the timber industry to push for further deregulation. After heavy lobbying by major importing companies and

(footnote continued)

vietnam-pledges-to-investigate-massive-illegal-logging-violations-as-international-pressure-grows/.

<sup>14</sup> The EU and Vietnamese government agreed to complete the negotiations on 11 May 2017.

<sup>15</sup> The Vietnamese government classifies four types of inland border crossings: (i) international crossings for the movement of people (all nations) and their means of transportation; (ii) bilateral or national crossings for the movement of Vietnamese and Lao people and their means of transportation; (iii) secondary/supplementary crossings are used for people of the provinces on both sides of the border; and (iv) temporary crossings that connect small local markets on either side of the border.

trade associations - a process often involving unofficial payments and collusion through networks within and outside the state (To et al., 2017) - the government decided to drop the permit requirements for timber imports from Cambodia altogether, which was justified on the basis that such a system was “discriminatory”, as timber imports from other countries were not required to obtain such permits.

The central government's transfer of customs control to provincial governments and the removal of import permits for Cambodian timber contributed to higher import volumes.<sup>16</sup> Provincial PCs in the provinces that border Cambodia quickly took advantage of their new power by allowing imports to come through supplementary border crossings that were under provincial control. During the timber import surge identified by the EIA, in Gia Lai province alone, the provincial PC allowed 16 companies to import a total of 300,000 m<sup>3</sup> of timber. The Gia Lai PC actively encouraged imports by directing all its departments to allow these 16 selected companies to “import timber via supplementary border crossings within the province” (Gia Lai People's Committee, 2016). The provincial departments of industry and trade, border protection and forest protection were tasked with overseeing the imports.

Corruption occupies a central place in the EIA report and is known to be an important enabler of high-risk timber trade. The EIA report revealed that timber importers paid bribes of up to “\$45 US per cubic meter to Vietnamese officials, including the Chairman of Gia Lai's People's Committee, customs and border army personnel, in return for the provision and administration of quotas allowing them to import into Vietnam” (Environment Investigation Agency (EIA), 2017, p. 2). Bribes and kickbacks worth an estimated USD 13 million had been paid to Gia Lai provincial officials, including the province's chairman, its highest political authority. The scale of corruption and the seniority of the figures involved made headlines in many international and national media outlets.

The findings and political fall-out from the EIA report created tensions between Vietnam's central government and the provincial PC of Gia Lai. A key point of tension, according to MOIT, was that the Gia Lai provincial PC did not report this large volume of imports to central authorities. Soon after the EIA report was released, MOIT established a team to investigate the import surge and to “fix the problem” (pers. comm. with government official, August 2017). The team visited all border provinces - including Gia Lai - which import timber from Cambodia (and Laos).<sup>17</sup> Information collected by the team informed proposals to change the regulatory arrangements for importing timber. The team's report was followed by an internal meeting between senior officials from different ministries. This discussion focused on the quota system administered by provincial PCs, which was considered the main cause of the problem.

The quota system had allowed provincial PCs to proceed without reporting timber imports to the central government, meaning that most of the high-risk timber imports from Cambodia (and previously from Laos) occurred without the center's knowledge. To solve the problem, the meeting recommended that the Prime Minister end this arrangement. Furthermore, it proposed a ban on imports through supplementary border crossings. MOIT also recommended specific punishment for the chairman of the Gia Lai provincial PC for allowing the import of 300,000 m<sup>3</sup> of timber from Cambodia. These recommendations were well received by the Prime Minister, who directed relevant ministries

<sup>16</sup> Vietnamese news agencies have reported intensively on the widespread nature of illegal timber imports. See for example: <http://www.phapluatplus.vn/tham-nhap-thu-phu-go-lau-dang-duoc-hop-thuc-hoa-tai-gia-lai-d42440.html>; <https://www.baomoi.com/ia-h-drai-go-lau-tap-ket-cong-khai/c/23254024.epi>; <https://www.baomoi.com/vu-ia-h-drai-go-lau-tap-ket-cong-khai-dau-nau-phong-hoa-dot-go-phi-tang/c/23256799.epi>.

<sup>17</sup> Timber imports from Laos have been significant in the past, equaling approximately one million m<sup>3</sup>/year until the Lao Prime Minister introduced an export ban in 2016. However, a small amount of timber, equaling 50,000–60,000 m<sup>3</sup>/year, continues to be exported to Vietnam.

and PCs in border provinces to cease the quota system a month later. However, timber imports via national and international border crossings directly controlled by the central government were still considered legal by the central government and permitted to continue.

In terms of the punishment of the chairman of the Gia Lai provincial PC, the central party politburo - the highest level of the party - referred his case to the Party Inspection Department. After the investigation, the department released a report, stating that “the wrongdoings and mistakes of [the chairman of the province] are severe, negatively affecting the reputation of the Party and of the State, creating anger among government officials, party members and society, and therefore deserved punishment” (Dung, 2017). The report was widely disseminated in the state-run media as a “major violation” by a prominent party figure that was complicit in large-scale corruption.<sup>18</sup> Other media reports cited the chairman's approval of Cambodian timber imports in exchange for generous financial benefits. Eventually, the chairman was punished by being demoted, with all his political power stripped. Provincial officials from different departments involved in the incident were similarly demoted. However, no criminal charges or prosecutions were made.

The party's punishment of one of its own key political figures were celebrated by the Vietnamese media and in public discourse. The media reports coalesced with broader state narratives about the central government's ongoing efforts to crack down on corruption. Punishment of government officials for wrongdoings has been a key mechanism to allay public loss of faith in the government in the face of corruption, abuse of power by high-level officials and the emergence of a super-rich elite. Local news agencies have carried many stories about the loss of billions of dollars in government revenue due to malfunctioning state-owned enterprises and corruption involving senior officials. Media stories about provincial officials participating in land-grabbing in urban centers such as Ho Chi Minh and Da Nang has generated considerable public anger, as have stories about corrupt police and military officials using their power and connections to secure lucrative government-funded contracts. The lavish assets and lifestyles of retired senior government officials and directors of state-owned companies are also scrutinized in the media.

Cumulatively, these reports convey to the public the major loss of public money caused by corruption, and how it contributes to the extravagant private wealth of corrupt officials whose lifestyles are far beyond the reach of average people. The media contrasts these stories, which underscore the marginalization of local people, with the party-state's mottoes of ‘a society of equity, democracy, and civilized practices’ (*xã hội công bằng, dân chủ, văn minh*) and ‘government officials are citizen's servants’ (*cán bộ là đầy tớ của dân*).

This growing public anger at widespread corruption is seen by both political commentators and insiders as a danger to the system. The party's General Secretary has called corruption Vietnam's “internal enemy” (Hoa, 2018). Vuving (2013: 330) has proposed that corruption poses a major crisis of legitimacy for the party and the state. The weak response to corruption has further fueled the loss of public trust in government. Local newspapers and social media contrast Vietnam's feeble efforts at stemming corruption with the perceived success of the Chinese government in this area. Eye-catching headlines, such as “China punishes 1.3 million officials in five years” (Hanh, 2017) and “210,000 corrupt Chinese officials were arrested in the first six months” (Thanh, 2017) contrast with the many stories about Vietnam's ineffective response. For example, the government's anti-corruption law (introduced in 2016) requires senior government officials to declare all of their personal assets (e.g. land, house or car) and that any assets accumulated by suspect financial sources will be subject to a corruption

<sup>18</sup> Illustrative media reports by major local news agencies include: <http://tuoitre.vn/toi-ve-huu-roi-xu-sao-thi-xu-20170920092545282.htm>; <http://tuoitre.vn/de-nghi-ky-luat-nguyen-chu-tich-ubnd-tinh-gia-lai-20170918142018654.htm>.

investigation. However, local media reports have emphasized the limited results of these measures: “Three officials [out of 1.1 million] are found to violate property regulations [anti-corruption law]” (Thu, 2017). These comparisons have increased public frustration with the government’s avowed efforts to fight corruption, which is seen by many as merely lip service.

Similar frustrations exist within the government. Some members of the Vietnamese parliament have expressed concern at the slow pace of reform in assembly meetings: “corruption is widespread ... however the number of officials who have been punished is too small” (Minh, 2016). Another member criticized a government report on its corruption crackdown as “not reliable ... too general ... and the solution for corruption was not innovative.” (Nhan Dan, 2018). One member described the government’s efforts in fighting corruption as “removing tiny worms on a tree’s branches and leaves, but not the fat worms at the center of the tree trunk and roots” (Thin, 2013). In sum, the government’s attempts at fighting corruption have fallen far short of public expectations, to the point that it is causing internal party dissent. Public anger and loss of trust has eroded the government’s legitimacy, as noted in the words of the General Secretary of the party, who also heads the National Anti-Corruption Steering Committee: “Enduring corruption may lead to the collapse of the [communist] party and the rapid decline of the state” (Thu, 2018).

In this context, punishing high-level cases of government corruption has become an essential instrument for the state to regain people’s trust and political legitimacy. To counter the criticisms of the independent press, state-run media outlets often report on the government’s corruption crackdown, emphasizing that many officials are being brought to account. One high profile case saw the dismissal of a powerful member of the politburo who was the party secretary of Ho Chi Minh City (the country’s largest city) and the Minister of Information and Communication. Corrupt officials in central ministries, provinces and even the military and police – areas traditionally considered off limits in corruption probes – have been dismissed. Top government officials have celebrated this concerted crackdown as having “new momentum” with “no forbidden area” (Nguoi Lao Dong, 2018). The General Secretary boldly told party members that those “who do not dare to fight corruption need to step aside” (Hai, 2018). These high-profile ‘punishments’ and remarks are designed to mitigate popular anger and dissatisfaction and to regain public trust.

The punishment of the chairman of Gia Lai province and the decision to revoke the timber import quotas previously authorized by provincial authorities occurred in the context of the central government’s efforts to maintain political legitimacy through its narrative regarding the corruption crackdown. In addition, it conveyed a message to provincial authorities that power given to them was at the mercy of the center, and could be revoked if they overstepped the line. For international audiences, the crackdown signaled the central government’s seriousness about regulating the high-risk timber trade, an important element of the government’s commitment under the VPA.

However, the popular expectation that these actions would halt timber imports from Cambodia proved incorrect. This is largely due to the central government’s stance that traders holding all the necessary importing documents are permitted to import Cambodian timber into Vietnam regardless of where and how it was harvested. Vietnam customs data shows that Cambodian timber imports have continued through the border crossings controlled by the central government.<sup>19</sup> Many traders involved in cross-border timber imports that we interviewed believed that the 2018 import levels would have been higher were it not for the general election in Cambodia, as the ruling party had to be seen to maintain stringent controls over timber exports.<sup>20</sup> The

continuation of the cross-border timber trade has again raised questions about the central government’s commitments under the VPA.

### 5.3. The economic and budgetary significance of Cambodian timber

Vietnam’s Law on State Budget provides the basis for revenue-sharing between central and provincial governments in Vietnam. Under this law, trade taxes, value-added taxes (VAT) and excise on imports are fully assigned to the central government. These taxes and excises are collected by provincial tax departments but are channeled to the central Ministry of Finance to contribute to national consolidated revenue. Provincial governments therefore do not have any control over the expenditure of revenue from these specific sources. In the case of VAT, corporate and personal income tax, however, the law stipulates that these are to be shared between central and provincial governments. The proportions going to each of these levels varies annually depending on the amount of revenue collected, the annual spending plan proposed by provincial governments, and other negotiations between the two tiers of government. Provincial governments also have control over specific revenue sources, including land and housing taxes and associated fees and charges. In general, these arrangements mean that provinces contributing a larger revenue base to central government coffers have greater bargaining power in annual budget negotiations (Vu, 2016b). As a result, provincial governments attempt to maximize their revenue collection.

Timber imports from Cambodia thus have significance for central and provincial budgets particularly for Gia Lai, which is one of the ten poorest provinces in the country and has few other sources of revenue.<sup>21</sup> In terms of national revenue, timber imports are very valuable. Annual timber imports from Cambodia to Vietnam have an estimated value of approximately USD 200 million. As the central government imposes 10 per cent VAT on imports, this generates about USD 20 million in revenue per annum. Gia Lai’s PC also has a stake in this central revenue through the central’s budget allocation. In addition, provincial governments can retain taxes that are directly collected from importers using the smaller province-run border crossings, as well as other fees and charges such as road user fees and fees paid by wood processing industries. Gia Lai is one of six border provinces that have this kind of budgetary reliance on the timber trade.

The Gia Lai PC chairman cited the economic importance of Cambodian timber imports to the province as a key part of his defence in the timber corruption case. He rejected the central government’s accusation of wrongdoing, asserting that these imports were important to both provincial and national revenues. The head of the provincial department of customs – the agency overseeing exports and imports – backed the chairman, arguing that timber imports were essential to the financial viability of the province. The customs head reported that the import of 300,000 m3 of timber from Cambodia helped raise USD 5.5 million through import taxes and fees. To put this in perspective, this amount accounts for 50-70 percent of the total revenue that was collected from import-export activities in the province in 2017. In interviews and meetings, officials and representatives from provincial departments of agriculture, rural development and customs confirmed this economic reliance on timber: “This is an important source of our province’s revenues”, one informant said, while another official admitted, “Gia Lai is a poor province. We need this budget source.”

(footnote continued)

the central government in Cambodia to tighten its control of the timber trade to mitigate any criticism from civil society and opposition parties. In Cambodia, the involvement of corrupt officials in illegal timber logging is one area which civil society groups and the opposition have used to challenge state power.

<sup>21</sup> Data from the central government’s statistic office reveals that the poverty rate of Gia Lai in 2016 was 13.5 percent (source: <https://www.gso.gov.vn/default.aspx?tabid=723>).

<sup>19</sup> Vietnamese customs data shows that timber import volumes in the first half of 2018 are much larger than for the first half of 2017.

<sup>20</sup> The election took place on 29 July 2018. Before elections, it is common for



Another defence deployed by the Gia Lai chairman and local officials was the importance of timber to those working in wood processing villages in the densely populated Red River Delta region of northern Vietnam. As noted earlier, high-risk timber has been a key input to these industries, which employ thousands of workers in this region. Approximately 70–80 percent of imported timber from high-risk sources makes its way to Vietnam's wood processing villages. These villages employ around 150,000 laborers, drawn from approximately 24,000 households (To et al., 2019).<sup>22</sup> In these wood processing villages, an estimated 86 percent of households are involved in wood processing workshops. At a household level, there is a high level of reliance on this work, which accounts for about 90 percent of household income equivalent to USD 5000–10,000 per household annually (To et al., 2018a). Thus, high-risk timber is essential to sustaining furniture production and with it local livelihoods in wood processing villages (To et al., 2018a; To et al., 2017).

The economic significance of high-risk timber is well known to state actors.<sup>23</sup> High-level officials from both central and provincial agencies have visited local markets where imported timber from Cambodia and Laos are freely and openly exchanged. Given the importance of high-risk timber to local livelihoods, stemming the timber trade is considered immoral by many who work in this industry: “*There is no way we can stop doing this [using high-risk timber]. All households in our village will go hungry if we have to stop.*” the head of one wood processing village stated in an interview. Thus, in order to maintain its economic legitimacy, both levels of government have turned a blind eye to high-risk timber imports. The economic importance of imported Cambodian timber thus extends from the household to provincial and central government levels in Vietnam. In this context, provincial governments have a significant stake in timber imports as these revenues are not only important for their budget but also help strengthen their bargaining power in annual budget negotiations with central authorities. The central government also relies on timber revenues and therefore wants to see the trade continue, but – unlike their provincial counterparts – also has to be mindful of international reputational and trade concerns. Stopping this high-risk trade has thus become a major challenge for both central and provincial governments.

## 6. Discussion and conclusion

The cross-border timber case illustrates how state practices and narratives reflect underlying struggles to gain legitimacy and authority (Gupta, 1995; Sharma & Gupta, 2006). In this paper we have focused on central and provincial government practices in governing timber imports from Cambodia to Vietnam. Here, provincial interests in continuing the high-risk timber trade have conflicted with the center's international commitments to exclude high-risk timber from supply chains. Corruption involving provincial government officials has also undermined the center at a time when it is facing a looming public legitimacy crisis due to widespread corruption (Tuong Vu, 2014; Vuving, 2013). At the same time, the center also depends upon timber revenues and the continuation of the timber sector to maintain economic growth. These developments called for the center to ‘perform’ corruption crackdowns on officials embroiled in the illegal timber trade, while simultaneously enabling the trade to continue. The illegal timber surge unveiled by the EIA investigation therefore highlights the frictions and complexities associated with state legitimacy at different

tiers of the Vietnamese state.

The case also shows that, even in authoritarian societies, state actors must work to acquire and maintain political legitimacy and authority over citizens (Purcell & Nevins, 2005). The Vietnamese government's corruption crackdowns on timber trade accomplices are as much about winning back public favor and legitimacy as about maintaining central authority vis-à-vis provinces. As Sharma and Gupta observe (2006), state legitimacy ultimately rests upon citizens' respect for authorities and compliance with rules (Easton, 1965; in Horowitz, 2009, p. 250). In this sense, the crackdown on provincial leaders embroiled in the timber scandal was more than an ‘attempt by the political center to discipline the lower levels of the party state’ (Gainsborough, 2010, p. 52). It also served the higher goal of redressing the threat to state legitimacy and authority wrought by corruption.

In economic terms, both the central and provincial governments are reliant on timber revenues, but for slightly different reasons. As Sikor and Lund (2009) observe, taxes and tributes – as ‘fiscal objects’ – are significant foundations for the recognition of state institutions. For provincial leaders, the timber industry also forms part of a positive narrative of economic performance for which they are rewarded with political opportunities and bargaining power in center-province budget negotiations (Jandl, 2014; Vu, 2016a). At a personal level, senior officials have also accumulated considerable wealth from this sector (Tuong Vu, 2014). In this context, and as recipients of lucrative material benefits, provincial leaders have compelling personal and political reasons to encourage the high-risk timber trade, rather than stop it. Nationally, timber also provides an important revenue source and sustains an industry that employs thousands of workers. This has underpinned the center's focus on legal paperwork as a marker of ‘legality’ in the timber trade. Although their interests here are subtly differentiated, at both tiers of government, timber involves important political-economic stakes. It is at the center, however, that economic interests come into conflict with international legitimacy. The central government faces a major double bind, where state legitimacy is both bolstered (in economic terms) and undermined (through corruption and public criticism) by high-risk timber trade.

The final dimension of state legitimacy discussed in this paper, then, speaks to the international domain. The Vietnamese government has a need to maintain legitimacy with its international trading partners and stakeholders in the sphere of timber trade. To continue its trade in wood products, Vietnam has been drawn into EU initiatives such as the FLEGT VPA and international conventions and agreements such as CITES (Convention in Trade of Endangered Species of Flora and Fauna). These extra-territorial actors and agreements are important to the center as they promise status and opportunities in terms of trade and security which translate to national economic growth. Yet the center has struggled to balance international *and* domestic interests around timber, with the effect of eroding its international legitimacy.

The case ultimately shows that political legitimacy is a core and problematic concern for the Vietnamese state. The quest for state legitimacy involves the careful juggling of political and economic interests by different actors within different tiers of government, both domestically and within the international sphere. Specifically, the center's response to high-risk timber trade highlights tensions for centralized authority, and how the center's legitimacy is being continually established, contested, lost or re-gained. Since Vietnam's economic success is now tied to international markets and trade agreements, the legitimacy of the central government rests not only on its citizens, but also with international trading partners and consumers. The performance of corruption crackdowns has become increasingly important as means to negotiate this dilemma whilst ultimately allowing the trade to continue. The timber case thus highlights that state legitimacy is multi-dimensional and ultimately rest upon contradictory and disparate sources that are generating friction in a time of decentralization and connectivity.

<sup>22</sup> Many households in wood processing villages have to hire laborers who live outside the villages. These 150,000 laborers are additional to approximately 300,000 laborers working for wood processing companies.

<sup>23</sup> Based on consultations in 2013–2014, when the International NGO and the National Timber Association organized three meetings in three wood processing villages where illegal timber was used. Participants included representatives from various agencies within MARD and MOIT.



## Conflicts of interest

The authors of this paper have no conflict of interest.

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## Appendix A. Supplementary data

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