

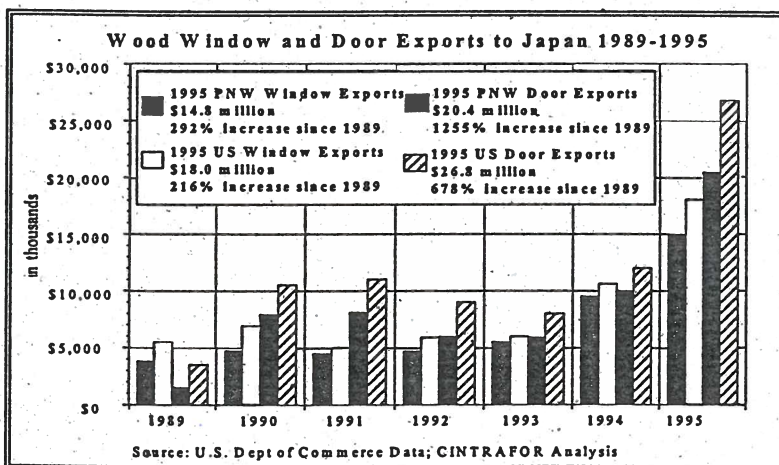
Resource to Aid Wood Products Importers in Growing Japanese Market

A sourcebook exists to provide business people interested in entering the Japanese market with information about market trends, cultural aspects, and policy developments.

According to U.S. Department of Commerce data, \$1.13 billion in manufactured wood and wood based products (excluding paper products) was exported from the U.S. to Japan in 1995. Approximately 75 percent of these exports, totaling \$846 million, were manufactured in the Pacific Northwest or passed through the region's ports in transit to Japan. What was once primarily a market for log exports has developed over the past 15 years to become a significant market for finished and semi-finished imported wood products. Increasingly, Japanese contractors and importers bypass distribution channels in Japan and buy directly from American manufacturers.

The wood products export market offers expanding opportunities for U.S. firms willing to invest time and resources to develop and maintain a competitive market presence in Japan. This includes understanding economic, cultural, and infrastructure differences that impact sales and importing, such as Japanese systems of distribution, real estate conditions, customer tastes and expectations for high quality products, and deeply entrenched construction methods which are different from American practices.

The Japanese Market Profile and Sourcebook for Pacific Northwest Value-Added Wood Products Exporters provides companies interested in exporting value added wood products to Japan, with the necessary information to consider when attempting to expand their business into this market. In addition to market trend data of top selling PNW manufactured goods, the Sourcebook provides valuable information regarding approaches to facilitate success in the Japanese wood products market. A significant portion of the Sourcebook addresses cultural aspects that should be factored into a marketing plan prior to investing company resources. For example, the Japanese distribution system is extremely complex. Distribution costs include transportation, storage, payment terms, and handling claims, each of which is higher in Japan than in the U.S. Complicated regulations can stall distribution and necessitate additional storage time, which increases overhead costs.

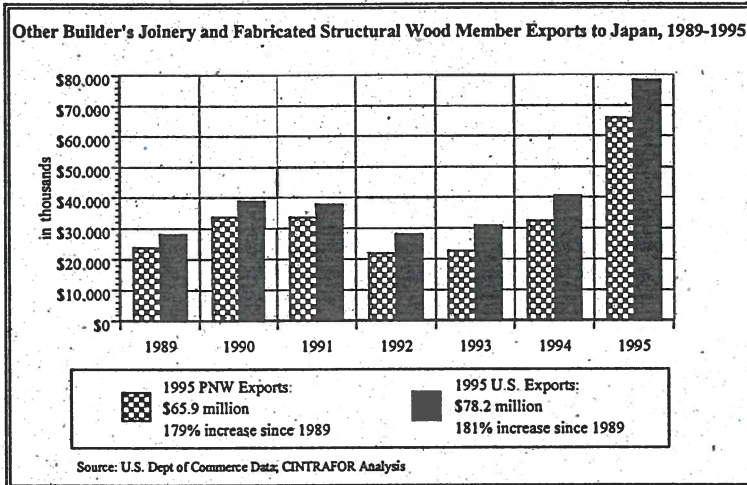


PNW Advantage in the Wood Building Products Export Market

The PNW has a competitive advantage over other states and countries in the Japanese wood products industry. The region's history in Pacific Rim shipping and related industry services, geographic location, and prevalence of world-class wood products manufacturers, position the region to capitalize on Japan's desire for high quality building materials. As American style 2x4 home construction becomes more widely accepted in Japan, demand for engineered lumber, wood windows, and wood doors has skyrocketed. High survival rates of western style 2x4 homes

after the Kobe earthquake and a strong yen exchange rate has opened the market to imported wood building materials. For example, engineered wood products such as glue-laminated beams and laminated veneer lumber, passing through or originating in the PNW in 1995 totaled \$65.9 million, a 179 percent increase over the 1989 export level. As a result of increased prefabricated home exports, wood window exports totaled \$18 million, with 82 percent passing through or originating in the PNW. Wood door exports had roughly the same income level as wooden windows until 1995 when

nationally, door exports reached \$26.8 million. Over 75 percent, (\$20.4 million) of the wooden doors exported in 1995 passed through or originated in the PNW, a 1255 percent increase since 1989. The Western style home market, primarily centered in suburban areas that do not have stringent fire-protection standards, are expanding. As Japanese safety standards and regulations are revised wooden doors may be more generally accepted as a safe building material.



Government Initiatives Established to Encourage American Imports

The Japanese and U.S. governments have established several monetary incentives and public relations programs to promote American prefabricated home construction in Japan. The government of Japan initiated a five-year deregulation plan in late June 1994, which identified the housing sector as one of four priority areas. The Ministry of Construction (MOC) developed the "Action Program for Reduction of Housing Production Costs," and proposed a "Mutual Recognition System" in order to increase acceptance of overseas test data and certifications. By implementing these programs fully by 1997, the government aims to reduce residential housing construction costs by 30 percent.

In response to increasing public demand for affordable housing, the Ministry of International Trade and Industry (MITI) and the Japan External Trade Organization (JETRO) also seek to increase home imports. These organizations aim to increase current pre-fabricated home import levels from 1,500 units per year to 11,000 units by 1999, and are undertaking several promotional programs to achieve this goal. Some of the programs established include low-interest loans from the Export Import Bank of Japan to home importers, exhibitions of imported homes in several cities across the country, and re-evaluation of tariff and non-tariff barriers that reduce the competitiveness of imported building materials. The MOC is also considering revising Japanese building codes to make the system more accessible to import goods.

A major step in the success of importing building materials to Japan was achieved when the Japanese Agricultural Standards (JAS) were revised. In the past, a JAS stamp was required on all imported value-added wood products to ensure that the product had passed a high quality standard. If the product did not have this stamp, it had to go through testing by the Japan Plywood Inspection Corporation, which slowed the distribution process and increased costs. While product certification was voluntary, many government and financial institutions would only support projects built with JAS approved materials. The revision ensures that products approved by the U.S. based Western Wood Products Association (WWPA) standards automatically pass JAS standards.

Obstacles remain despite the steps that are being taken to facilitate export of value-added wood products. Increased competition in the export arena, as a result of regulatory reforms, require potential exporters to become proficient with Japanese building approval processes, product certification, and regulatory requirements prior to investing in the market. Several organizations exist to aid exporters. For example, the National Center of Standards and Certification Information maintains all notifications of proposed foreign technical regulations that may affect trade. In addition, industry and trade associations in both the U.S. and Japan serve as resources for companies to research regulatory statutes, market data, and financing information. The Sourcebook includes a summaries of these organization's services and contact information.

"The Japanese Market Profile and Sourcebook for Pacific Northwest Value-Added Wood Products Exporters," SP-23, is available through CINTRAFOR