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**PHÂN TÍCH TÁC ĐỘNG CỦA HIỆP ĐỊNH VJEPA ĐỐI VỚI NGÀNH XUẤT KHẨU  
GỖ VIỆT NAM: CƠ HỘI, THÁCH THỨC VÀ NGHIÊN CỨU TRƯỜNG HỢP CÔNG  
TY AP WOOD**

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**Tóm tắt**

Hiệp định Đối tác Kinh tế Việt Nam - Nhật Bản (VJEPA) đóng vai trò quan trọng trong việc thúc đẩy xuất khẩu gỗ Việt Nam sang Nhật Bản thông qua giảm thuế, đơn giản hóa thủ tục và tạo điều kiện tiếp cận thị trường. Tuy nhiên, doanh nghiệp xuất khẩu gỗ vẫn phải đối mặt với tiêu chuẩn chất lượng khắt khe, yêu cầu xuất xứ nghiêm ngặt và cạnh tranh gay gắt. Nghiên cứu này phân tích

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tác động của VJEPA đối với ngành gỗ Việt Nam, tập trung vào Công ty AP Wood – một doanh nghiệp xuất khẩu gỗ sang Nhật Bản. Qua đó, bài viết đánh giá lợi ích, thách thức và đề xuất giải pháp nhằm nâng cao năng lực cạnh tranh của công ty trong bối cảnh hội nhập.

**Từ khóa:** Hiệp định Đối tác Kinh tế Việt Nam Nhật Bản (VJEPA), xuất khẩu gỗ, cắt giảm thuế quan, tiêu chuẩn chất lượng, nghiên cứu điển hình công ty AP Wood

# **ANALYZING THE VJEPA AGREEMENT IN FACILITATING VIETNAM'S WOOD EXPORTS TO JAPAN, LOOK INTO THE CASE OF AP WOOD FIRM**

## **Abstract**

Vietnam-Japan Economic Partnership Agreement (VJEPA) is a central factor in the growth of Vietnam's wood exports to Japan due to the reduction of tariffs, facilitation of trade, and expansion of market access it brought about. However, Vietnamese wood exporters still face extremely strict quality requirements, rules of origin, and fierce market competition. The research investigates the effects of VJEPA on Vietnam's wood sector, focusing on a case study of AP Wood, a Vietnamese company that exports wooden products to Japan. From the case study of AP Wood, the article shall analyze the advantages and limitations of using VJEPA and propose strategic implications for improving the firm's competitiveness in the Japanese market.

**Keywords:** Vietnam-Japan Economic Partnership Agreement (VJEPA), wood exports, tariff reduction, quality standards, AP Wood company case study

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## **1. Introduction**

In early 2025, Vietnam's wood industry was recognized as a new strategic export to diversify Vietnam's export portfolio. Traditionally focusing on industries namely textiles and seafood, Vietnam is now positioning wood products as a key drive to economic expansion. Specifically, according to the General Department of Vietnam Customs, Vietnam's wood product exports reached approximately \$16 billion in 2022, making it one of the world's largest exporters of wood-based goods. Japan - the top three importers of Vietnamese wood products, is a tactical and important destination. Therefore, the implementation of The Vietnam-Japan Economic Partnership Agreement (VJEPA) in 2009 significantly facilitated trade between the two nations, granting Vietnam preferential market access.

Apart from the benefits, Vietnam's wood exports to Japan face several challenges, including strict regulations, intense competition, and high production costs. Firstly, Japan's enforcement of stringent import requirements such as the Japan Agricultural Standard (JAS) certification and the Clean Wood Act has highlighted the demand for high-quality processing and legally sourced timber. Nevertheless, Vietnam's reliance on imported raw materials as well as global economic downturns; and fluctuating exchange rates, have significantly raised production costs, and limited price competitiveness for Vietnam's wood exports

Japan, up to now, is still Vietnam's strategic trading partner due to steady demand, eco-conscious consumer preference, and soft-developed trade relations. By mid-2024, Vietnam's wood export to Japan was recorded at a total of \$1.05 billion, with furniture, plywood, and wood pellets among the highest categories (ITTO, 2024). Yet, strong competition from Indonesia, Malaysia, and China forces Vietnamese companies to employ state-of-the-art production technology to develop a competitive edge.

In general, this research examines Vietnam's wood exports to Japan under VJEPA, to provide an insight into tariff benefits, market opportunities, and key trade challenges. Using a case study on AP Wood Joint Stock Company, it analyzes the impact of trade policies, export commitments, and compliance regulations on business performance. From that base, this paper will provide strategic recommendations for not only AP Wood firm but also Vietnamese businesses and policymakers to maximize the benefits of VJEPA and strengthen Vietnam's position in the Japanese market.

## **2. Theoretical framework**

### ***2.1. Free Trade Agreements (FTAs)***

FTAs are legal agreements between countries aimed at reducing or eliminating trade barriers like tariffs and quotas, facilitating easier and more efficient trade. For Vietnam, FTAs are crucial tools for economic integration, export growth, and foreign investment. As of 2024, Vietnam has signed 19 FTAs, including the Vietnam–Japan Economic Partnership Agreement (VJEPA), which provides preferential access for Vietnamese exports into the Japanese market (WTO, no date).

### ***2.2. Tariff barriers in wood exports***

Tariff barriers are import taxes that affect pricing and competitiveness. Before VJEPA, Vietnamese wood products faced Japanese tariffs of 4%–10%. VJEPA gradually eliminates most of these, with 92.95% of Vietnam's and 94.53% of Japan's trade turnover becoming tariff-free. This boosts Vietnam's export competitiveness, though the benefits depend on meeting other trade requirements (Vietnam National Trade Repository, no date).

### ***2.3. Non-Tariff barriers and quality standards***

Despite reduced tariffs, exporters still face non-tariff barriers (NTBs) such as technical standards, import licenses, and product certifications. For wood exports to Japan, compliance with

regulations like the Japanese Agricultural Standard (JAS) and the Clean Wood Act is essential. These NTBs require Vietnamese businesses—especially SMEs—to invest in quality control, sustainable sourcing, and certification. Therefore, VJEPA's effectiveness hinges not only on tariff reductions but also on exporters' ability to meet Japan's strict quality standards. Thus, while VJEPA removes tariff barriers to create market access, the presence of NTBs demands that exporters invest in quality control, sustainable sourcing, and international certification to fully capitalize on the agreement's benefits (Vietnam National Trade Repository, no date).

### **3. Overview of VJEPA**

#### ***3.1. Introduction to VJEPA***

The Vietnam-Japan Economic Partnership Agreement (VJEPA), signed on December 25, 2008, and effective from October 1, 2009, is a comprehensive bilateral FTA between Vietnam and Japan (Vietnam Chamber of Commerce and Industry, no date). Japan, a leading global economic power with abundant capital, supports Vietnam's industrialization. Meanwhile, Vietnam's stable political environment, growing economy, and workforce attract Japanese FDI. Recognizing shared strategic interests, both countries established VJEPA to deepen economic cooperation. With 14 chapters, 129 articles, and 7 annexes, VJEPA strengthens Vietnam-Japan relations, reinforcing Japan's position as a key economic partner (Phong, 2022). Furthermore, VJEPA complements Vietnam's commitments in the WTO, AJCEP, CPTPP, and RCEP, enhancing regional trade strategy. Notably, VJEPA provides greater preferential treatment compared to AJCEP.

#### ***3.2. Main components of VJEPA***

##### ***3.2.1. Trade in goods***

Under the Vietnam-Japan Economic Partnership Agreement (VJEPA), Vietnam committed to liberalizing 92.95% of its trade turnover over a 16-year period. In the first decade of implementation (2009–2019), 87.66% of trade turnover was already liberalized. By 2026, approximately 91% of Vietnam's 9,390 tariff lines will be fully eliminated, with 8,873 of those lines subject to reduction (WTO, 2013).

For Japan, in terms of agricultural products, 36% of tariff lines were eliminated immediately in 2009, with further reductions phased in through 2019. In seafood, 19% of tariff lines received immediate duty-free access, with the figure reaching 57% by 2024. In the industrial sector, Japan eliminated tariffs on 95% of product lines in 2009, increasing to 97% by 2019. According to the

calculations of Mr. Phan The Rue - former Deputy Minister of Commerce and Chief of VJEPA negotiation delegation, as per Japan's commitment to Vietnam in VJEPA, the tax reduction is much higher than that of Japan's commitment to ASEAN countries in the ASEAN- Japan comprehensive economic partnership agreement (BÁO SÀI GÒN GIẢI PHÓNG, 2009). This implies that Vietnamese exports have an advantage over some ASEAN counterparts when entering the Japanese market.

### **Sensitive products**

Vietnam's sensitive products are grouped into three categories: 0.6% of tariff lines are reduced gradually to 5% by 2024, 0.8% are cut to 50% by 2025, and 2% will retain base rates permanently. An additional 4.6% fall under the exclusion list with no tariff reductions. Japan maintains protection on key agricultural products like rice, sugar, and pork (Vietnam National Trade Repository, no date).

#### *3.2.2. Rules of Origin (ROO)*

Under VJEPA, a product is considered originating if it is wholly obtained or fully produced within either country, including agricultural products, minerals, and fish caught in territorial waters. For goods containing imported materials, they must meet either the Regional Value Content (RVC) requirement, which mandates that at least 40% of the product's value, or the Change in Tariff Classification (CTC) requirement, which requires that non-originating raw materials undergo transformation to fall under a different four-digit HS code than their original components.

#### *3.2.3. Trade in services*

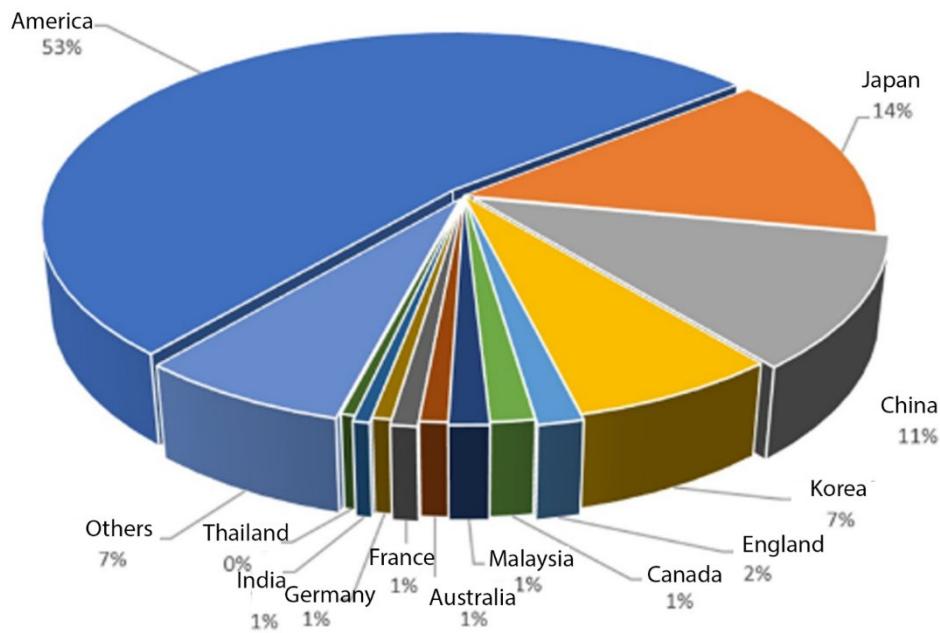
For Japan, it has agreed to significantly open its service market to Vietnam, offering broader access than its WTO commitments. This includes expanded access to professional services such as legal, tax consulting, computer services, engineering, advertising, auditing, finance, healthcare, and tourism.

### **4. Impact of VJEPA on Vietnam's wood export activities to Japan**

#### ***4.1. Positive impact***

According to statistics from the General Department of Customs, Japan is currently the second-largest import market for Vietnamese wood in the world, following only the United States.

This is illustrated in the chart showing Vietnam's wood export turnover in the first quarter of 2023 to major global markets.



**Figure 1:** Vietnam's wood export market share by country before VJEPA implementation

**Source:** General Department of Vietnam Customs

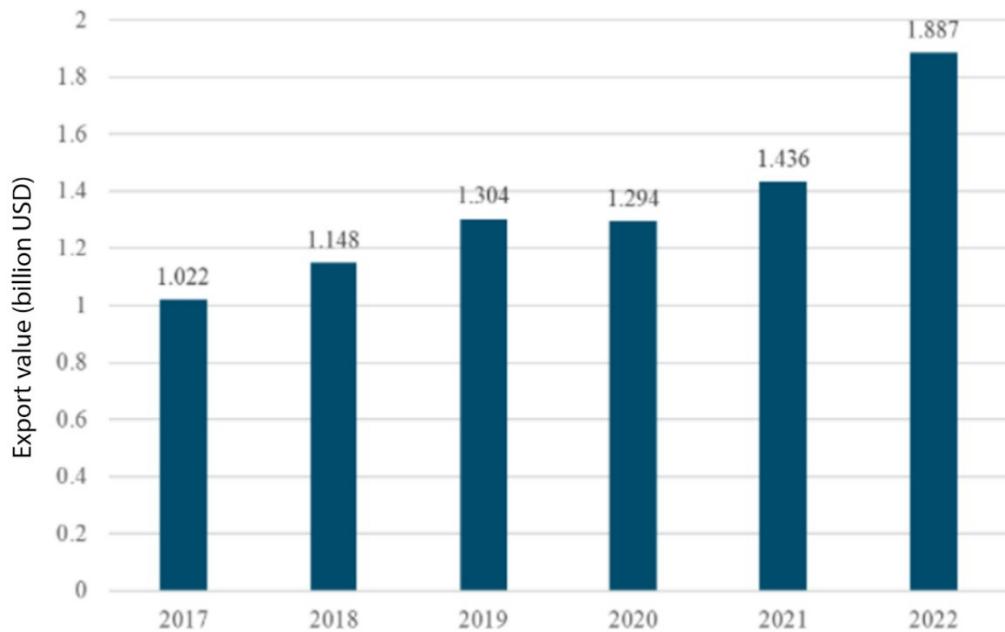
However, before the VJEPA agreement was signed, prior to 2008, statistics from Japan's Ministry of Finance highlighted that in 2003, Vietnam's wood exports accounted for 6.69% of Japan's total wood imports. Other dominant exporters respectively came from China (38.8%), Taiwan (10.6%), and Thailand (9%). By 2004, Vietnam's share had risen to 7.2%. In terms of export value, Vietnam's wood exports to Japan in 2004 reached 23.9 billion yen, an increase of 11.3% compared to 2003. Vietnamese wood products exported to Japan were quite wide-ranging, consisting of fuelwood logs, tree wood, sawn or split wood, furniture, etc. Among these, furniture took the lead and made up more than half of Vietnam's total wood exports to Japan, 56.1%. However, Vietnam's wood exports face great competition from similar products from other countries. China, in particular, has a huge advantage due to its abundant raw material supply and relatively low labor costs, making it the largest exporter of wooden furniture to Japan. Meanwhile, Vietnam has limited wood resources and must import a significant amount of raw materials, increasing production costs and reducing competitiveness. Additionally, Japan's dry

climate causes wooden products to warp, deform, and crack if not properly treated. Addressing this issue requires specialized technology and imported equipment (preferably from Japan). However, due to the high cost of wood processing equipment, very few Vietnamese enterprises have invested in these technologies—mainly joint ventures or companies collaborating with Japanese firms that invest in their own equipment.

However, after the agreement officially ran into effect on December 25, 2008, statistics show that in February 2009, Vietnam's wood product exports to the Japanese market reached \$27.5 million, showing a slight increase compared to the previous month. In the first two months of 2009, total wood product exports to Japan amounted to \$55 million, marking a 14.1% increase compared to the same period in 2008. Japan became the fastest-growing export market for Vietnam's wood products during this time, with an increase of \$6.8 million. After slowing down in 2007 (with only a 4.8% increase), Vietnam's wood product exports to Japan continued to rise in 2008 and the first two months of 2009. This growth was particularly significant given that Vietnam's wood product exports to most major markets were declining. The increasing export value to Japan was a positive development for the industry.

As of now, Japan is Vietnam's third-largest market for wood and wood products, accounting for 12.08% of the total market share (as of 2022). In recent years, Vietnam's wood and wood product exports to Japan have continued to grow steadily. In 2022, the total export value surged to \$1.887 billion, reflecting a 31.41% increase compared to 2021.

The main exported product group falls under the category of wood and semi-finished products (HS 44). Key exports to Japan include wood chips, wood pellets, chairs, plywood, and wooden furniture. Among them, wood chips and wood pellets accounted for over 50% of the industry's export value to Japan. Specifically, wood chip exports reached \$724 million, while wood pellet exports hit \$384 million, representing a 44.8% and 92% increase in value compared to 2021, respectively.



**Figure 2:** Vietnam's export turnover of wood and wood products to Japan from 2017 to 2022

**Source:** General Department of Vietnam Customs

The reduction in tariffs on Vietnam's wood products exported to Japan—from over 10% to 0%—immediately after the agreement took effect created a significant competitive advantage and an opportunity for Vietnam to capture a larger share of the Japanese market. Specifically, China remained the largest supplier of wooden furniture to Japan, meanwhile, Vietnam was the second-largest supplier, exporting 16.9 thousand tons, valued at 5.9 billion yen (approximately \$51.3 million). Although Vietnam's export volume decreased by 10.8%, its export value increased by 13.5% compared to January 2021.

#### ***4.2. Negative impact***

The implementation of VJEPA has brought numerous benefits to Vietnamese businesses in exporting goods to Japan. However, a closer look at its impact on the wood processing industry reveals certain negative effects as well. Additionally, several other factors influence these businesses.

To export wood to Japan, domestic wood processing companies face intense competition not only within Vietnam but also from regional rivals such as Thailand and Indonesia. This

competition can sometimes lead to unfair market practices. As a result, businesses must focus on improving product quality and value to maintain their competitiveness in the international market.

Therefore, while VJEPA has provided significant advantages for Vietnam's wood exporters to Japan, it has also posed considerable challenges. However, these challenges present an opportunity for businesses to enhance product quality and management capabilities, enabling them to compete more effectively in the global market.

## **5. Opportunities, challenges, and solutions for Vietnam's wood exports**

### ***5.1. Overview of the Japanese wood market and import criteria***

#### **Japanese wood market**

Japan is one of the largest importers of wood products globally due to its accelerating demand for furniture, construction materials, and interior decoration. Because of the limited domestic wood resources, this nation relies heavily on imported wood, especially those from Vietnam, China, and Indonesia (ITTO, 2024). Specifically, its market shows a high preference for well-qualified, durable, and environmentally sustainable wood products

#### **Import criteria for wooden products in Japan**

- Quality standards
- Environmental and sustainability certification
- Formaldehyde emission standards
- Pest control and phytosanitary regulations
- Customs and tariff regulations

### ***5.2. Opportunities in the Japanese market under VJEPA***

The Vietnam-Japan Economic Partnership Agreement (VJEPA) has significantly enhanced Vietnam's wood industry, particularly benefiting companies like AP Wood, by offering both tariff and non-tariff advantages.

#### **Tariff reductions and trade facilitation**

The Vietnam-Japan Economic Partnership Agreement (VJEPA) has eliminated tariffs on key wood products like furniture and plywood, previously taxed at 5-10%, enhancing Vietnam's price

competitiveness (General Department of Vietnam Customs, 2023). Streamlined customs procedures under VJEPA have also reduced clearance times by 30%, improving trade efficiency (JETRO, 2023).

### **Growing demand for sustainable wood products**

The Growing Demand for Sustainable Wood Products With Japan's recognition of sustainability, it was natural that Japanese companies would look toward Vietnam. There are over 200 firms in Vietnam with Forest Stewardship Council (FSC) certification, and brands are looking for FSC certified timber to use in Japan's eco-housing projects. AP Wood overtook opportunities by supplying FSC certified timber, and in 2022, increased their export revenue by 20% .

### **Supply chain diversification and vietnam's competitive edge**

Japan's desire to diversify its supply chain has opened the door to Vietnam. Brands like Nitori and Muji have moved their production from China to Vietnam, attracted by competitive labor costs and advanced capabilities of manufacturing. Investments into modern production technologies, like CNC machinery and automated design systems, have solidified Vietnam's reputation as a reliable supplier.

### **Comprehensive Benefits for AP Wood**

AP Wood has leveraged VJEPA's provisions to enhance its market presence in Japan. The elimination of tariffs has reduced production costs, enabling the company to offer competitive pricing and increase its market share. Simplified administrative procedures and improved customs processes have minimized trade barriers, facilitating smoother exports. Furthermore, compliance with social responsibility policies mandated by VJEPA has prompted AP Wood to upgrade its production processes and product quality, fostering customer trust and loyalty. In summary, VJEPA has not only reduced costs and improved export efficiency for Vietnamese wood exporters but also encouraged sustainable practices and technological advancements, positioning companies like AP Wood to expand their footprint in the Japanese market.

### ***5.3. Challenges in exporting wood products to Japan***

#### **Stringent quality and safety standards**

Japan's Japan Agricultural Standard (JAS) and formaldehyde regulations are major hurdles. Many Vietnamese SMEs lack advanced testing equipment, with only 30% achieving JAS certification.

### **Competition from other exporting nations**

Vietnam faces stiff competition from Indonesia and Malaysia, which hold larger market shares in Japan. For instance, Indonesia supplies 40% of Japan's plywood, compared to Vietnam's 15%.

### **Environmental compliance and timber legality requirements**

Japan's Clean Wood Act mandates proof of timber legality, challenging Vietnamese firms sourcing from weakly regulated countries. A 2022 report found 25% of Vietnamese exports lacked complete documentation, causing delays and penalties.

### **Heavy reliance on imported raw materials**

Vietnam imports 80% of its timber, primarily from Laos, Cambodia, and the U.S., increasing costs and vulnerability to disruptions. For example, Laos' 2021 timber export ban raised Vietnamese raw material costs by 15%.

### **Exchange rate fluctuations and rising transportation costs**

The yen's 12% depreciation against the dong in 2023 eroded Vietnam's price competitiveness (World Bank, 2023). Additionally, global shipping disruptions increased freight costs by 20-30%, squeezing profit margins (WTO, 2023).

## ***5.3. Strategic solutions for strengthening Vietnam's wood exports***

### **Enhancing product quality and compliance with standards**

Vietnamese firms should invest in advanced technologies like automated drying and precision cutting to meet Japanese standards. For example, AP Wood achieved ISO 9001 and JAS certification through Japanese consultancy partnerships. Government incentives for SMEs to adopt such technologies are crucial.

### **Strengthening sustainable and legal timber sourcing**

Vietnam should accelerate the Voluntary Partnership Agreement on Forest Law Enforcement, Governance, and Trade (VPA-FLEGT) to ensure timber legality. A centralized database for

tracking timber sources and exporter training on compliance are recommended. Expanding domestic plantations of fast-growing species like acacia and eucalyptus can reduce import reliance.

### **Diversifying export strategies and market segments**

Vietnamese exporters should target niche markets like luxury furniture and eco-friendly bamboo products. For instance, Scansia Pacific collaborated with Japanese designers to enter the high-end market (JETRO, 2023). Participation in international trade fairs, such as the Tokyo International Furniture Fair, can enhance brand recognition.

### **Optimizing logistics and cost management**

To counter rising transportation costs, firms should negotiate long-term shipping contracts and optimize container use. AP Wood reduced logistics costs by 15% through shipment consolidation and alternative routes. Leveraging trade agreements like the CPTPP can also provide tariff benefits and streamline customs (CPTPP Secretariat, 2023).

## **6. Case study on AP Wood Joint Stock Company**

### ***6.1. Overview of AP Wood Joint Stock Company***

**Table 1:** General information of AP Wood Joint Stock Company

<b>Official name</b>	<b>AP Wood Joint Stock Company</b> <b>Công ty Cổ phần AP Wood</b>
Type of firm	Joint Stock Company (JSC)
Logo	
CEO	Mr. Tran Viet Hung
Tax identification number	0317272813

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Phone number	0913.084.545
Address	327F Luong Dinh Cua Street, An Phu Ward, Thu Duc City, Ho Chi Minh City, Vietnam

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**Source:** The authors self-synthesized

### **Vision and mission**

- Vision: AP Wood sees infrastructure as key to Vietnam's modernization, thus aiming to fuel the demand for wooden equipment.
- Mission: Elevating Vietnam's position on the global industrial landscape
- Core value: Honesty – Quality - Innovation

### **Target customers**

- Interior design firms
- Hospitality businesses
- Home furnishing distributors
- Clients prioritize sustainability and craftsmanship

### **Export target: Japan**

Japan is a key export market for AP Wood, which leverages VJEPA's tariff benefits to enhance the firm's competitiveness by meeting strict quality, and sustainability standards and strengthening partnerships.

**Table 2:** Key products

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Category	Product
Flooring	White oak flooring
	Acacia flooring

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Wall Panels

Wall panel hemlock

Wall panel white oak

Wall panel red cedar

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Molding

Hemlock moulding

Laminated boards

Laminated board white oak

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**Source:** Documents from AP Wood Joint Stock Company

## ***6.2. Overview of the Japanese wood market and import criteria***

### **Japanese wood market**

Japan is one of the largest importers of wood products globally due to its accelerating demand for furniture, construction materials, and interior decoration. Because of the limited domestic wood resources, this nation relies heavily on imported wood, especially those from Vietnam, China, and Indonesia (ITTO, 2024). Specifically, its market shows a high preference for well-qualified, durable, and environmentally sustainable wood products.

### **Import criteria for wooden products in Japan**

- Quality standards
- Environmental and sustainability certification
- Formaldehyde emission standards
- Pest control and phytosanitary regulations
- Customs and tariff regulations

### 6.3. Current export situation of AP Wood

#### 6.3.1. Current export data

AP Wood's export to Japan in 2024 was worth \$500,000, which accounted for 80% of revenue (VND 724.5B), with wall panels being the top revenue-bringing product.

**Table 3:** AP Wood's Export Performance to Japan (2017-2024)

Year	Export to Japan	Growth Rate	Key Drivers
2017	\$220000	-	Initial market entry phase
2018	\$260000	+18.2%	Strengthened partnerships
2019	\$300000	+15.4%	Full implementation of VJEPA
2020	\$250000	-16.7%	COVID-19 supply chain disruptions
2021	\$320000	+ 28%	Post-pandemic recovery
2022	\$350000	+25%	Wall panel product expansion
2023	\$450000	+12.5%	Global logistics crisis
2024	\$500000	+ 11.1%	Product diversification

**Source:** AP Wood's business performance reports (2017-2024)

Trend insights:

- 2017 – 2019: 16.8% annual growth (VJEPA benefits)
- 2020: 16.7% (COVID disruptions)
- 2022 – 2022: >25% rebound (demand surge)
- 2023 – 2024: 11-13% growth (competition & FX risks)

#### 6.3.2. Factors affecting exports

##### Market demand and consumer trends

- Japan's need for high-quality, durable, and beautiful wood products is stable, particularly for interior design and construction purposes.

- Priority for sustainability, precision, and craftsmanship in wood products - which AP Wood can provide and supply

### **Regulatory environment and trade policies**

- Japan has minimal trade barriers compared to other markets
- Little issues with customs, compliance, or logistics, ensuring smooth exports

### **Business strategy and competitive positioning**

AP Wood has aggressively sought product diversification to supply various segments in Japan's wood market. Not only does it minimize the risk associated with a product category, but also maximizes the company's ability to obtain more customers

#### *6.3.3. Distribution channels and business partnerships in japan*

##### **Current distribution model**

AP Wood employs a significant direct selling strategy, bypassing intermediaries to exert greater control over pricing, customer relationships, and market positioning. The strategy has efficiently achieved the firm's profitability and maximum market coverage.

Even though the company's distribution pattern has been successful, it does not differ the firm from others. To strengthen its position, AP Wood should increase its coverage through trade fairs, websites, and targeted business contact with prospective customers in Japan.

##### **Key business partners and potential clients**

AP Wood's primary clients in Japan include construction firms and trading companies, among which, the following are the two most potential partners:

- Nagai Corporation
- Hirakawa Trading Co., Ltd.

Believing in increased growth, AP Wood is focusing aggressively on developing relations with valuable customers, which shall involve:

- Sumitomo Forestry Co., Ltd. (one of the top housing and construction industry players)
- Daiken Corporation (one of the top wooden building material producers)

Concerning criteria for partner selection, AP Wood considers:

- Reputation and brand credibility
- Financial strength and long-term cooperation potential
- Warehouse and distribution infrastructure in Japan

#### *6.3.4. Opportunities and challenges in the Japanese market*

##### **Growth opportunities**

- High demand for high-end wood products: Japan's market favors premium wood for construction and interiors
- Low trade barriers: Minimal regulations support steady export growth
- Increasing market coverage: Growing customer base and business segments for wood products.

##### **Challenges and risks**

- Intense market competition: Require genuine value and distribution
- Expectations of quality and customers: Japanese demand top-tier, consistent quality
- Dependence on market risks: Heavy reliance on Japan (80% of revenue) requires exporting diversification

#### *6.3.5. Future strategies and market expansion plans*

##### **Expanding market coverage**

- Consolidating ties with Sumitomo Forestry, Daiken Corporation.
- Creating new market opportunities in the U.S. and Australia to diversify against reliance on Japan.

##### **Enhancing distribution strategies**

- Increasing direct customer contact through trade shows, internet sale websites, and specialized business development.
- Improving logistics and supply chain efficiency to enhance service delivery.

##### **Maintaining superior product quality**

- Investment in innovation and sustainability programs to meet Japan's stringent product standards.
- Designing new product categories to meet diversified customer needs.

#### **6.4. Case study**

##### *6.4.1. Exported products*

**Table 4:** Exported products

<b>Product name</b>	<b>Size (mm)</b>	<b>Quantity (Pcs)</b>
Acacia Flooring (UV)	15 x 120 x 1820	3528
Acacia Flooring (OIL)	15 x 120 x 1820	1764
Red Cedar Wall Panel (1920mm)	8 x 88 x 1920	500
Red Cedar Wall Panel (2440mm)	8 x 88 x 2440	500
Red Cedar Wall Panel (2920mm)	8 x 88 x 2920	1000
Red Cedar Wall Panel (3920mm)	8 x 88 x 3920	500
Red Cedar Wall Panel (3000mm)	12 x 90 x 3000	1000
Red Cedar Wall Panel (4000mm)	12 x 90 x 4000	1000
<b>Total</b>		<b>9792</b>

**Source:** Documents from AP Wood Joint Stock Company

#### *6.4.2. Timeline of the incident*

- Export date: June 13, 2024
- Arrival in Japan: June 28, 2024
- Issue Detected & Notification Received: Early July 2024
- Return decision & handling method: Mid-July 2024

#### *6.4.3. Key events of the incident*

##### **Quality check before export**

AP Wood conducted regular quality checks on Red Cedar Wood Wall Panels

Inspections included:

- Physical examination
- Moisture content verification
- Structural integrity checks

After examination, panels were shipped following standard procedures

##### **Customer comments from Japan**

The Hirakawa Mokuzai Kougyou Co., Ltd, on receipt of the shipment in Japan, registered major damage to the panels, making them unusable for installation. The damages were due to handling during transit, resulting in physical blemishes and structural flaws. Hirakawa Mokuzai Kougyou then formally rejected the shipment and filed a complaint against AP Wood for violating VJEPA requirements about product quality and delivery.

##### **Re-inspection & confirmation of fault**

When the complaint was received, AP Wood conducted an internal inspection to find out why the damage occurred. AP Wood asked for the photographic proof and damage report from Hirakawa Mokuzai Kougyou. Initial investigation findings include:

- Lack of protective packaging
- Mishandling during transit

This confirmation then justified the buyer's rejection of the shipment.

## **AP Wood's response to the return notice**

Upon receiving the return request, AP Wood arranged the shipment's return at additional logistics cost and undertook the following steps:

- Conducted root-cause analysis to improve packaging and shipping procedures.
- Confirmed supplier and logistic alliance for enhancement in handling processes.
- Negotiated with Hirakawa Mokuzai Kougyou to find a solution, including order adjustment and compensation requirements.

### *6.4.4. Reasons for rejection*

Hirakawa Mokuzai Kougyou Co., Ltd, rejected AP Wood's export of Red Cedar Wood Wall Panels due to the:

- Physical damage – The warping, cracks, and abrasions incurred during transportation violated Japan's import quality requirements.
- Non-compliance with VJEPA Standards – Shipment was not in line with Chapter 2, Article 6 on the quality of the product, and Chapter 3, Article 7 on shipment under appropriate conditions.

### *6.4.5. Analysis of root causes*

The shipment return from AP Wood to Vietnam was caused by damage to the Redcedar Wood Wall Panels during transportation. The product was flagged to have incurred damages which made it impossible to be received, causing the Japanese buyer, Hirakawa, to reject the product. This is in contravention of VJEPA (Vietnam-Japan Economic Partnership Agreement) on the provisions of product quality and delivery respectively in Chapter 2 (Trade in Goods) and Chapter 3 (Rules of Origin).

Specifically, Chapter 2 Article 6, states that the goods traded between Vietnam and Japan must confirm specifications, and quality standards, and be provided at the time of shipment without any damages.

Damage to the Red Cedar Wood Panels during the transport undermines these provisions of the agreement as it shows failure of provision of product quality before delivery.

Also, Chapter 3, Article 7 states that goods must be shipped in a way that preserves their state, and any damage during shipment may be regarded as a breach of the delivery agreement.

#### *6.4.6. Lesson learned*

The shipment returns of Red Cedar Wood Wall Panels due to transit damage highlight the need for AP Wood to improve quality control, packaging, and logistics. To address this, the company must conduct rigorous pre-shipment inspections, invest in strong packaging materials, and collaborate with reliable logistics providers. Implementing traceability and real-time monitoring will help detect and resolve issues early, while open communication with buyers will facilitate problem-solving. These measures ensure compliance with VJEPA, prevent shipment losses and enhance operational efficiency.

### **6.5. Strategy and solutions**

#### *6.5.1. Solutions from the case study*

##### **Quality control enhancement**

AP Wood must strengthen its quality control processes by conducting rigorous pre-shipment inspections. This includes vigilant checks at every production stage, especially a final inspection before packaging, to ensure products meet agreed standards and are defect-free.

##### **Improvement of packaging and handling procedures**

Investing in stronger packaging materials, such as high-strength corrugated cardboard, reinforced wooden crates, and moisture-resistant wrapping, can better protect goods during transit. Training staff on proper packaging techniques is also essential to withstand international shipping conditions.

##### **Strengthening logistics partnerships**

AP Wood should build stronger relationships with reliable logistics partners experienced in handling delicate goods like wood panels. Regular audits, clear communication on quality standards, and monitoring logistics activities can minimize damage risks during transportation.

##### **Implementation of traceability and real-time monitoring technologies**

Adopting technologies like GPS tracking, RFID tags, IoT sensors, and cloud-based monitoring systems can enhance shipment visibility. These tools enable real-time tracking, allowing AP Wood to detect and address issues promptly, ensuring product integrity.

### **Promoting closer communication with customers**

Maintaining open communication with customers like Hirakawa is crucial. AP Wood should notify buyers immediately of any delays or issues and collaborate on solutions to maintain strong business relationships.

#### *6.5.2. Solutions to current exporting challenges*

### **Enhancing market accessibility and brand awareness**

AP Wood can leverage the Vietnam-Japan Economic Partnership Agreement (VJEPA) to expand its market share in Japan. Attending trade fairs, partnering with Japanese distributors, and increasing brand visibility can attract more customers. Offering high-value products like premium furniture and sustainable wood items can further capitalize on VJEPA's tariff benefits.

### **Maximizing VJEPA benefits through compliance and market research**

AP Wood should thoroughly research VJEPA's provisions, tariff reductions, and compliance requirements to maximize benefits. Staying updated on regulations and guidelines is essential to ensure full advantage of the agreement.

### **Ensuring a stable supply of raw materials**

Securing a consistent raw material supply is critical. Establishing material supply centers and accessing preferential loans or Japanese development programs can support this goal.

### **Investing in technological innovation and quality management**

Upgrading production processes and adopting advanced technologies can improve product quality and reduce costs. Implementing international quality management systems like ISO 9000, HACCP, and ISO 14000 will help meet Japan's high health, safety, and environmental standards.

### **Strengthening export promotion and market expansion**

AP Wood should enhance its export promotion through targeted marketing strategies and increased visibility in Japan. Participating in trade fairs, exhibitions, and industry seminars, while

collaborating with organizations like JETRO and Vietnam's Trade Office in Japan, can help forge new partnerships and expand market reach.

By implementing these strategies, AP Wood can address current challenges, leverage opportunities under VJEPA, and strengthen its position in the Japanese market.

## Conclusion

The VJEPA has played an important role in enhancing Vietnam's wood export to Japan. Tariff removal and market access improvement through VJEPA have allowed companies like AP Wood to benefit from cost reduction and expanded trade avenues. Still, there are significant barriers such as strict quality standards, complex regulations, and fierce competition.

The case of AP Wood also highlights the need for every Vietnamese business to be more careful towards quality control, utilize better logistics, and comply with Japanese import requirements. Vietnamese exporters are, thus, advised to invest in modern manufacturing technology, enhance supply chain efficiency, and form strategic alliances with Japanese buyers to maximize the advantages of the VJEPA.

The VJEPA opens favorable circumstances for everyone involved in the trade; long-term success, however, will depend on a commitment to continuous adaptation and innovation, and proactive trade promotion. With the right strategies, Vietnam's wood exporters will be able to add value to their position and grow their market share in Japan.

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