TC MARKET/ COUNTRY REPORT

Japan Market Watch



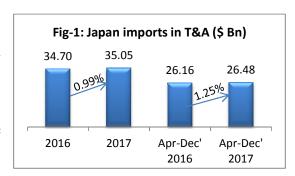


(April-December, 2017)

Japan Market Watch (Apr-Dec, 2017)

1.0 Introduction:

Japan is third largest importer of Textiles & Apparel (T&A) in World after EU and USA with an import of \$ 35.05 Billion during 2017. Being the third largest importer, Japan has always attracted the attention of the major textile and apparel exporters



including India. Even if, Japanese import of T&A has decreased by 3.09% CAGR during last five years (2013-2017), it has grown by 0.99% in 2017 as compared to previous year and reached to \$35.05 bn from \$34.70 bn.

The major chunk of the import is on account of apparel alone, accounting to \$26.37 bn in 2017 which is almost 7 per cent of the global apparel import.

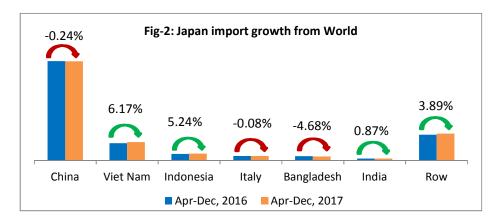
India is the ninth largest exporter of apparel to Japan with a share of about 0.87 per cent in the total apparel import basket. Even after signing a Comprehensive Economic Partnership (CEPA) agreement with Japan in 2011 for facilitating better trade flow between the countries including in textiles and apparels, its export growth is quite meager. Countries like China are outperforming India in this important market even if the tariff rate available to India is zero for most of the product lines.

In view of the fact that Japan is a major market in T&A we have entered into a bilateral agreement with Japan, offering zero tariff market access to the our products. It is imperative to understand why our exports are lagging. Therefore, an effort is being made in this paper to study the month wise trend and composition of T&A export to Japan both at macro and micro level so as to facilitate proper decision making/business strategy at the level of government and trade & industry. The major highlights of the Market Report are as follows:

Textiles Committee Market / Country Report (April-December, 2017)

2.0 Japan as an export destination (Apr-Dec, 2017):

- Japan's T&A import from the rest of world was \$ 26.48 Bn in Apr-Dec, 2017. The major chapters contributed to the basket are Chapter-62 (Woven apparel) with a share of 38.27% and Chapter-61 (Knitted apparel) with 36.70% during the period. These two chapters alone contributed \$ 19.85 Bn (74.97%) during Apr-Dec, 2017 with a growth rate of 0.58% during the period as compared to the same period previous year.
- The import of textiles including made-ups (Chapter 50 to 60 & 63) contributed \$6.63 Bn (25.03%) with a growth of 3.03% during the period as compared to the same period of previous year. Among textile & made-ups, chapter-63 (Other made-ups textiles articles), chapter-56 (Wedding, twine, cordage, ropes & Cables) and chapter-54 (Manmade filaments) have contributed significantly with 15.87% share.
- Among the competing countries, China is the leading exporter with \$16.29 Bn of export with 61.52 percent share followed by Vietnam \$3.01 Bn (11.37%), Indonesia \$1.11 Bn (4.18%), Italy \$0.72 Bn (2.73%) and Bangladesh \$0.65 Bn (2.47%) during Apr-Dec, 2017. It is important to mention that While Chinese export has shown negative growth of 0.24% during the period as compared to previous year, export growth of other countries was 6.17%, 5.24%, -0.08% and -4.68% respectively during the period as compared to previous year. Hence, Vietnam's export of T&A has experienced a robust growth during the period as Vietnam has experienced duty free access under Vietnam-Japan FTA and ASEAN-Japan FTA.
- India stands at 12th position with \$0.29 Bn of export with 1.10% share and India's export has grown by 0.87% during the period as compared to previous year.





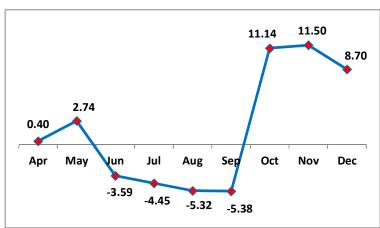
(April-December, 2017)

Month wise Tend of Japan import from World in T&A

Table 1: World's T&A Exports to Japan (Bn. \$)

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	April-December				
Month	2016	2017	%		
	2010	2017	Change		
Apr	2.77	2.78	0.40		
May	2.37	2.44	2.74		
Jun	2.50	2.41	-3.59		
Jul	2.83	2.70	-4.45		
Aug	3.75	3.55	-5.32		
Sep	3.70	3.50	-5.38		
Oct	2.87	3.19	11.14		
Nov	2.75	3.07	11.50		
Dec	2.61	2.83	8.70		
Apr-Dec	26.16	26.48	1.25		

Fig 3: Change in the exports



Source: ITC

- Japan had signed Economic Partnership Agreements (EPAs)/ Free Trade
 Agreement (FTA)/ Comprehensive Economic Partnership Agreement (CEPA)
 with 14 countries: Australia, Brunei, Chile, India, Indonesia, Malaysia, Mexico,
 Mongolia, Peru, Philippines, Singapore, Switzerland, Thailand, Vietnam, ASEAN
 and TPP. EPAs or Free Trade Agreements are currently under negotiation are
 Japan-China-Republic of Korea (South Korea), Japan-EU, Japan-Turkey.
- As Bangladesh comes under LDC countries, Bangladesh is enjoying duty free and quota free market access in Japanese market under Generalized System of Preferences (GSP) Scheme of Japan and Bangladesh. Japan's GSP started on August 1, 1971, and the current scheme is effective until March 31, 2021. The scheme covers duty free and quota free market access in Japan in 1970 Textiles and Apparels products at 9-digit HS level for LDC countries.

2.1 Product level Performance:

Japanese import basket is mainly dominated by few T&A products. Out of 1543 products (more than \$0.01 Mn) at 9-digit HS level imported by Japan during Apr-Dec, 2017 and only 23 products (more than 1% share) have contributed 38.13 % to the basket.



(April-December, 2017)

Out of these 23 products, top 5 products alone contributed \$3.34 Bn during Apr-Dec, 2017 and totaling top 5 products saw a positive growth of 3.66% during the period as compared to same period during 2016. A detailed product wise trend is enclosed in Annexure-1.

2.1.1 Top Performing Products in Japan market (Apr-Dec, 2017):

Out of these 23 important products, the export growth of 14 products has experienced positive growth. Top 14 positing growth products contributed \$6.35 Bn to Japanese import basket.

Table-2: Top performing products having positive growth in Japanese market (Mn\$)

		•		` ' '
Products	Descriptions	Apr-Dec, 2016	Apr-Dec, 2017	%Change
630790029	Made up articles, of textile materials, nes, including dress patterns	785.74	826.85	5.23
611030014	Pullovers, cardigans and similar articles of man-made fibres, knitted	628.19	697.95	11.10
620462200	Women's/girls trousers and shorts, of cotton, not knitted: Other	617.24	671.24	8.75
620463200	Women's/girls trousers and shorts, of synthetic fibres, not knitted: Other	470.27	483.43	2.80
610990200	T-shirts, singlets and other vests of textile materials, knitted(exclude cotton)	0.00	471.74	Na
620213200	Women's/girls overcoats & similar articles of man-made fibres, not knitted	366.41	422.57	15.33
621210000	Brassieres and parts thereof, of textile materials	403.89	415.75	2.94
620640210	Women's/girls blouses and shirts, of man-made fibres, not knitted	374.20	408.59	9.19
610910012	T-shirts, singlets and other vests, of cotton, knitted: Of yarns of different colours or printed	363.00	366.57	0.98
611020019	Pullovers, cardigans and similar articles of cotton, knitted: Containing embroidery or lace	332.86	360.45	8.29
620293200	Women's/girls anoraks & similar article of man-made fibres, not knitted	350.38	351.78	0.40
620630210	Women's/girls blouses and shirts, of cotton, not knitted	324.95	325.64	0.21
620311200	Men's/boys suits, of wool or fine animal hair, not knitted: Other	281.90	285.00	1.10
621143200	Women's/girls garments nes, of man- made fibres, not knitted: Other	261.71	264.21	0.96
	Total	5560.73	6351.78	14.23



(April-December, 2017)

The products like 620213200 and 611030014 have experienced substantial growth of 15.33% and 11.10% respectively during the period. Jersey pullover, T-Shirts, women/girls skirts shirts blouses and under garments of both men and women are the major product categories which are imported by Japan. Like other products, China, Bangladesh and Vietnam are the major suppliers, though India has a presence in these products with a share of less than 1 percent.

2.1.2 Top Products having negative growth in Japan market (Apr-Dec, 2017):

Major 9 products have experienced negative growth during April-December, 2017 as compared to the same period during 2016.

Table-3: Top Products having negative growth (Mn \$)

Products	Descriptions	Apr-Dec, 2016	Apr-Dec, 2017	% Change
620193200	Men's/boys anoraks and similar articles, of man-made fibres, not knitted: Other	575.36	575.18	-0.03
620342200	Men's/boys trousers and shorts, of cotton, not knitted: Other	617.11	570.55	-7.55
620343200	Men's/boys trousers and shorts, of synthetic fibres, not knitted: Other	494.67	484.91	-1.97
630260000	Toilet & kitchen linen, of terry towelling or similar terry fabric, of cotton	415.46	414.05	-0.34
620520000	Men's/boys shirts, of cotton, not knitted	442.96	391.74	-11.56
611596000	Full-length or knee-length stockings, socks and other hosiery	363.81	360.44	-0.93
611030012	Pullovers, cardigans and similar articles of man-made fibres, knitted	424.03	342.08	-19.33
610910020	T-shirts, singlets and other vests, of cotton, knitted	318.95	318.89	-0.02
611030024	Pullovers, cardigans and similar articles of man-made fibres, knitted: Of synthetic	290.26	289.16	-0.38
	Total	3942.60	3747.00	-4.96

Source: ITC

All these 9 products have experienced negative growth during last five years prior to 2017.

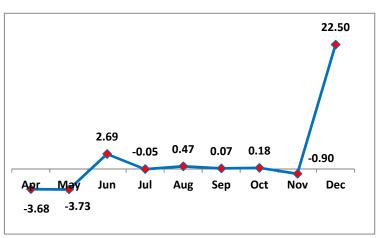
3.0 India's Performance of T&A to Japan (Apr-Dec, 2017):

- The aggregate T&A export of India to Japan is \$420.40 Mn in 2017, out of which \$291.80 Mn was exported during Apr-Dec, 2017. Japan contributed about 0.92% to the aggregate export basket of T&A of India. It may be noted here that India's export has increased to \$291.80 Mn from \$289.28 Mn during the same period of the previous year with the 0.87% growth.
- India's aggregate export of Textiles & Made-ups to Japan (HS Chapter 50 to 60 & 63) was \$137.29 million during Apr-Dec, 2017, which is 0.94% of India's total textiles & made-ups exports to the world. The export of textiles & made-ups has experienced a negative growth of 1.19% during the period as compared to previous year.
- India's aggregate export of Apparels to Japan (HS Chapter 61 to 62) was \$154.51 million during Apr-Dec, 2017 which is 0.90% of India's total Apparel exports to the world. The export of Apparel has experienced a positive growth of 2.78% during the period as compared to previous period.
- Top 26 Products (whose share is more than 1%) has contributed 60.18 percent to the export basket in Japan market during Apr-Dec, 2017.

Table 4: India's T&A Exports to Japan (Mn. \$)

	Ар	ril-Decem	ber
Month	2016	2017	%
	2010	2017	Change
Apr	49.89	48.06	-3.68
May	40.40	38.90	-3.73
Jun	31.76	32.61	2.69
Jul	30.54	30.52	-0.05
Aug	37.32	37.49	0.47
Sep	27.89	27.91	0.07
Oct	25.14	25.18	0.18
Nov	24.12	23.90	-0.90
Dec	22.22	27.22	22.50
Apr-Dec	289.28	291.80	0.87

Fig 4: Change in the exports





(April-December, 2017)

- India's export to Japan has experienced highest growth (22.50%) in December,
 2017 as compared to the same period in 2016 and lowest growth (-3.73%) in
 May, 2017 as compared to the same period in 2016.
- It is worth to mention that even if Indian export of textile and apparel is experiencing zero tariffs under India-Japan CEPA, the minimal export indicates that Indian exporters are yet to capitalise the opportunities being created under the agreement in form of better market access.
- Some of the key attributes like Non Tariff Measures adopted by Japan in form of quality standards and other stipulations like labeling, etc could be the possible reason for the slow growth of export from India to Japan needs to be addressed for strengthening India's position as a major exporter of T&C in Japanese market.

3.1 India's Top Performing Products in Japan market (Apr-Dec, 2017)

The major 16 products out of top 26 products have experienced positive growth in India's export basket during April–December, 2017 as compared to the same period during 2016 are as follows:

Table-5: Top performing products of India (Mn. \$)

Products	Descriptions	Apr-Dec' 2016	Apr-Dec' 2017	% change
620630210	Women's/girls blouses and shirts, of cotton, not knitted	25.91	27.29	5.34
510710090	Yarn of combed wool,>/=85% by weight of wool, not put up for retail sale	11.37	11.62	2.17
620640210	Women's/girls blouses and shirts, of man- made fibres, not knitted	7.93	8.82	11.17
621142200	Women's/girls garments nes, of cotton, not knitted: Other	6.23	8.34	33.85
540310020	High tenacity yarn (o/t sewing thread),of viscose rayon filament, not put up: Other	6.74	6.97	3.32
620462200	Women's/girls trousers and shorts, of cotton, not knitted	5.98	6.43	7.49
630492000	Furnishing articles nes, of cotton, not knitted or crocheted	5.61	5.91	5.29
620444200	Women's/girls dresses, of artificial fibres, not knitted: Other	5.18	5.61	8.37
610910012	T-shirts, singlets and other vests, of cotton, knitted: Of yarns of different colours or printed	4.44	5.47	23.31
520527021	Cotton yarn >85% single combed 106-83 dtex, not retail	4.55	5.24	15.17
570299010	Carpets of other textile materials, woven,	4.29	4.36	1.51



(April-December, 2017)

Draduata	Descriptions	Apr-Dec'	Apr-Dec'	%
Products	Descriptions	2016	2017	change
	made up, nes: Of cotton			
620452200	Women's/girls skirts, of cotton, not knitted	3.80	4.31	13.38
520524021	Cotton yarn,>/=85%, single, combed, 192.31 >dtex>/=125, not put up: Other	3.79	4.18	10.38
520528021	Cotton yarn >85% single combed	3.12	3.83	22.62
610910020	T-shirts, singlets and other vests, of cotton, knitted	2.20	3.27	48.25
620469200 Women's/girls trousers & shorts, of other textile materials, not knitted		2.91	3.15	8.14
	Total	104.05	114.77	10.31

Source: ITC

The export of products like 610910020, 621142200, 610910012 and 520524021 have increased with a growth of 48.25%, 33.85%, 23.31% and 22.62% respectively; which is quite promising from the export perspective of the country.

3.2 India's Top Products having negative growth (Apr-Dec, 2017)

Major 10 products have experienced negative growth during April –December,
 2017 as compared to the same period during 2016

Table-6: Top Products having negative growth (Mn \$)

Products Descriptions		Apr-Dec'	Apr-Dec'	%
	·	2016	2017	change
620442200	Women's/girls dresses, of cotton, not knitted	13.01	12.93	-0.62
630260000	Toilet & kitchen linen, of terry towelling or similar terry fabrics, of cotton	10.25	8.08	-21.17
620520000	Men's/boys shirts, of cotton, not knitted	9.24	7.77	-15.89
590290000	Tire cord fabric made of viscose rayon high tenacity yarns	7.70	6.36	-17.48
520548021	Cotton yarn >85% multiple combed	6.16	5.14	-16.63
620342200	Men's/boys trousers and shorts, of cotton, not knitted	6.46	4.87	-24.62
621420200	Shawls, scarves, veils & the like, of wool or fine animal hair, not knitted	5.19	4.36	-15.98
620311200	Men's/boys suits, of wool or fine animal hair, not knitted	4.69	4.29	-8.59
630251000	Table linen, of cotton, not knitted	3.80	3.63	-4.58
520547021	Cotton yarn >85% multiple combed 106- 83 dtex, not ret: Other: Consisting wholly of cotton	4.68	3.43	-26.65
	Total	71.18	60.85	-14.52



(April-December, 2017)

All these 10 products have experienced negative growth during last five years prior to 2017 except Toilet & kitchen linen, of terry toweling or similar terry fabrics, of cotton (630260000) and Men's/boys trousers and shorts, of cotton, not knitted (620342200), which have experienced positive growth during last five year except April-December'2017. It may be due to low demand for the products in the Japanese market as the export of the Rest of World has also experienced negative growth.

From the trend and composition of the Textile and Apparel export of India to Japan, it indicates that India is yet to avail full advantage offered by Japan in the IJCEPA agreement. Since, the Chinese export is declining in relative terms and there is a possibility for further acceleration of the trend due to rising cost of production in China, India should try to outplace the emerging countries like Vietnam and Bangladesh by fully availing the market access offered by Japan in form of Zero tariff.

Annexure-1

Table-1: Top Importing Products of Japan from World (\$ Mn)

Products	Descriptions	Apr-Dec, 2016	Apr-Dec, 2017	% Change
630790029	Made up articles, of textile materials, nes, including dress patterns	785.74	826.85	5.23
611030014	Pullovers, cardigans and similar articles of man-made fibres, knitted	628.19	697.95	11.10
620462200	Women's/girls trousers and shorts, of cotton, not knitted	617.24	671.24	8.75
620193200	Men's/boys anoraks and similar articles, of man-made fibres, not knitted	575.36	575.18	-0.03
620342200	Men's/boys trousers and shorts, of cotton, not knitted	617.11	570.55	-7.55
620343200	Men's/boys trousers and shorts, of synthetic fibres, not knitted	494.67	484.91	-1.97
620463200	Women's/girls trousers and shorts, of synthetic fibres, not knitted	470.27	483.43	2.80
610990200	T-shirts, singlets and other vests of textile materials, knitted or crocheted (excluding cotton)	0.00	471.74	Na
620213200	Women's/girls overcoats & similar articles of man-made fibres, not knitted: Other	366.41	422.57	15.33%
621210000	Brassieres and parts thereof, of textile materials	403.89	415.75	2.94
630260000	Toilet & kitchen linen, of terry towelling or similar terry fabric, of cotton	415.46	414.05	-0.34
620640210	Women's/girls blouses and shirts, of man- made fibres, not knitted	374.20	408.59	9.19
620520000	Men's/boys shirts, of cotton, not knitted	442.96	391.74	-11.56
610910012	T-shirts, singlets and other vests, of cotton, knitted: Of yarns of different colours or printed	363.00	366.57	0.98
611020019	Pullovers, cardigans and similar articles of cotton, knitted	332.86	360.45	8.29
611596000	Full-length or knee-length stockings, socks and other hosiery, incl. footwear without applied	363.81	360.44	-0.93
620293200	Women's/girls anoraks & similar article of man-made fibres, not knitted: Other	350.38	351.78	0.40
611030012	Pullovers, cardigans and similar articles of man-made fibres, knitted	424.03	342.08	-19.33
620630210	Women's/girls blouses and shirts, of cotton, not knitted	324.95	325.64	0.21
610910020	T-shirts, singlets and other vests, of cotton, knitted	318.95	318.89	-0.02
611030024	Pullovers, cardigans and similar articles of	290.26	289.16	-0.38



(April-December, 2017)

Products	Descriptions	Apr-Dec, 2016	Apr-Dec, 2017	% Change
	man-made fibres, knitted: Of synthetic			
620311200	Men's/boys suits, of wool or fine animal hair, not knitted	281.90	285.00	1.10
621143200	Women's/girls garments nes, of man-made fibres, not knitted	261.71	264.21	0.96
	Total	9503.6	10098.8	6.27

Source: ITC

Table-2: Performance of China, Vietnam and India in Japan's top imported products from World (\$ Mn)

	Ch	nina in Ja	pan	Viet	nam in J	apan	Ind	dia in Jap	oan
Products	Apr- Dec, 2016	Apr- Dec, 2017	% Change	Apr- Dec, 2016	Apr- Dec, 2017	% Change	Apr- Dec, 2016	Apr- Dec, 2017	% Change
630790029	630.56	659.18	4.54	43.85	48.75	11.20	2.11	0.83	-60.47
611030014	468.05	503.97	7.68	83.69	94.32	12.70	0.56	1.89	236.06
620462200	365.37	434.19	18.83	38.85	27.77	-28.52	5.98	6.43	7.49
620193200	371.55	344.45	-7.29	98.54	111.55	13.20	0.34	0.48	39.36
620342200	272.50	245.51	-9.91	88.37	79.14	-10.45	6.46	4.87	-24.62
620343200	266.10	254.30	-4.43	115.46	120.60	4.45	0.49	0.75	50.81
620463200	333.93	333.01	-0.28	52.90	58.33	10.28	0.73	0.51	-30.04
610990200	0	207.74	Na	0	156.37	Na	0	0.03	Na
620213200	284.77	309.31	8.62	14.75	19.22	30.27	0.05	0.10	94.23
621210000	289.52	308.37	6.51	54.79	51.56	-5.89	0.22	0.01	-96.35
630260000	240.73	234.75	-2.48	127.27	139.88	9.91	10.25	8.08	-21.17
620640210	285.74	312.43	9.34	32.62	30.69	-5.91	7.93	8.82	11.17
620520000	233.33	201.80	-13.52	44.03	50.76	15.28	9.24	7.77	-15.89
610910012	206.54	204.56	-0.96	36.48	36.67	0.53	4.44	5.47	23.31
611020019	223.81	205.96	-7.97	35.60	77.27	117.06	1.00	1.62	62.85
611596000	305.36	305.72	0.12	15.85	17.20	8.52	0.01	0.34	4729
620293200	243.86	235.72	-3.34	32.79	33.09	0.91	0.43	0.26	-40.00
611030012	306.91	267.64	-12.79	39.46	19.87	-49.64	0.00	0.02	1100
620630210	200.11	209.54	4.71	30.61	29.16	-4.72	25.91	27.29	5.34
610910020	159.01	153.19	-3.66	73.34	67.56	-7.89	2.20	3.27	48.25
611030024	221.22	216.85	-1.98	41.74	35.82	-14.18	0.07	0.10	39.13
620311200	164.01	172.53	5.19	28.52	24.07	-15.59	4.69	4.29	-8.59
621143200	175.39	180.14	2.71	51.26	51.14	-0.24	1.75	1.88	7.54
Total	6248.4	6500.9	4.04	1180.8	1380.8	16.94	84.86	85.10	0.28