

6. Bags

1. Definition of Category

This category encompasses all varieties of leather bags (including purses and other types of handbags). In all cases, these products have an exterior surface of leather, composition leather or patent leather.

HS Numbers	Commodity
4202.11, 91	Luggage
4202.21	Handbags
4202.31	Accessory bags

Note 1: Composition leather includes a certain portion of leather scrap material.

Note 2: Patent leather is leather to which has been applied a coating of varnish, lacquer or plastic sheeting to give the leather a shiny surface.

Note 3: In the industry, categories 4202.11 and 4202.91 are referred to as "luggage", while 4202.21 is referred to as "handbags", and 4202.31 as "accessory bags."

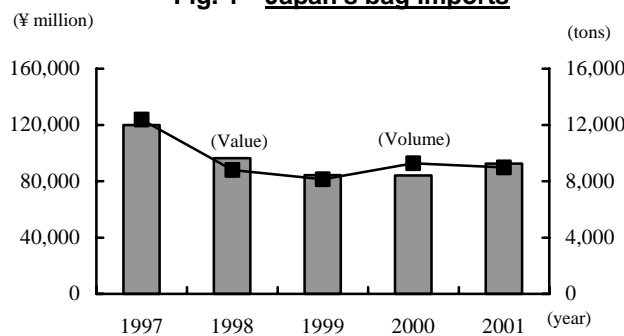
2. Import Trends

(1) Recent Trends in Bag Imports

Imports of leather bags grew steadily from the early 1990s, and reached a peak in 1996. However, imports have been dropping since that time, and by 1999 had fallen to less than half the 1996 level on a volume basis. The falloff was most pronounced of all in handbags, down 60% on a volume basis, and from ¥55.0 billion to ¥28.2 billion. The reasons for the decline include not only depressed personal consumption, but also a shift in demand away from leather bags and toward lighter-weight nylon fabric-made bags and the like.

It seemed the decline in imports on a volume basis had finally come to a halt in 2000, but imports were unable to sustain previous-year levels in 2001, dipping another 3.2% to 8,986 tons. However, most of the decline occurred in lower-priced bags from China, whereas imports increased of luxury-grade bags from Italy and France. As a result, on a value basis imports gained 17.6% to finish at ¥92.58 billion. The most common type of imported product is accessory bags (¥33.8 billion), followed by luggage (¥30.4 billion) and handbags (¥28.4 billion). This pattern shows that the profile of demand for imported product has changed in recent years.

Fig. 1 Japan's bag imports



	1997		1998		1999		2000		2001	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Luggage	4,544	33,654	3,197	25,577	2,794	24,365	3,130	24,464	3,395	30,394
Handbags	5,075	51,020	3,212	37,844	2,543	28,210	3,042	27,839	2,638	28,393
Accessory bags	2,746	35,262	2,394	32,993	2,798	31,744	3,114	31,746	2,953	33,790
TOTAL	12,365	119,936	8,803	96,414	8,135	84,319	9,285	84,049	8,986	92,577

Units: tons, ¥ million

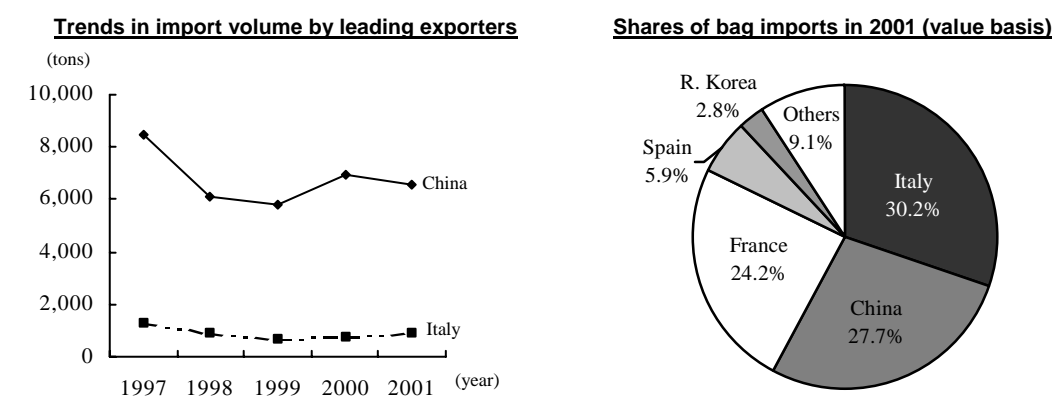
Source: Japan Exports and Imports

(2) Imports by Place of Origin

In recent years, as is the case for other apparel products, China has established itself as a bag production site. In 2001, China held a 73.4% share of the total volume. But imports from China failed to keep the previous year level, whereas import share of Italy, France and other EU nations gained an increase from 14.1% to 16.4%.

On a value basis Italy continues to hold the lead in leather bag exports to Japan, with a share of 30.2%, just followed by two competitors, China (27.7%) and France (24.2%). These three countries together accounted for over 80%. On a value basis, increases in Italy and France were also noteworthy.

Fig. 2 Principal exporters of bags to Japan



	1997	1998	1999	2000		2001		Volume	Value
	Volume	Volume	Volume	Volume	Value	Volume	Value		
China	8,490	6,073	5,821	6,949	24,694	6,591	73.4%	25,617	27.7%
Italy	1,307	932	702	783	25,047	894	10.0%	27,950	30.2%
France	366	318	315	323	18,374	363	4.0%	22,449	24.2%
R. Korea	443	326	324	273	3,356	229	2.6%	2,638	2.8%
Thailand	160	160	145	161	1,153	173	1.9%	1,281	1.4%
Others	1,599	994	828	796	11,424	735	8.2%	12,642	13.7%
TOTAL	12,365	8,803	8,135	9,285	84,049	8,986	100.0%	92,577	100.0%
(E U)	1,913	1,471	1,210	1,310	49,211	1,477	16.4%	57,894	62.5%

Units: tons, ¥ million

Source: Japan Exports and Imports

Fig. 3 Leading exporters by items (2001)

		Total	First	Share	Yearly change	Second	Share	Yearly change
	Handbags	2,638	China	74.4%	84.4	Italy	11.0%	99.6
	Accessory bags	2,953	China	81.7%	94.0	Italy	6.4%	101.5
Value basis	Luggage	30,394	Italy	31.5%	131.6	France	26.5%	120.1
	Handbags	28,393	Italy	34.2%	104.8	France	26.8%	117.2
	Accessory bags	33,790	China	38.1%	95.8	Italy	25.7%	101.8

Units: tons, ¥ million

Source: Japan Exports and Imports

(3) Imports' Market Share in Japan

Because of category level false setting between domestic data and import/export data, the share of imports in the market for bags is not clear. Even though bag imports have fallen precipitously on a volume basis, the leather bag market as a whole is so depressed that imports probably still have about the same overall market share, according to industry observers.

3. Key Considerations related to Importing

(1) Regulations and Procedural Requirements at the Time of Importation

The importation of leather bag is, in some instances, subject to the Foreign Exchange and Foreign Trade Law, the Wild Life Protection and Hunting Law, and the Customs Tariff Law.

1) Foreign Exchange and Foreign Trade Law (Import Trade Control Order)

Under terms of the Washington Convention (Convention on International Trade in Endangered Species of Wild Fauna and Flora, so-called CITES), the Foreign Exchange and Foreign Trade Law regulates importing of species of wild fauna and flora listed in the Appendix to the Convention. It covers not only the animals themselves but also coats or handbags made wholly or partially from fur or leather of endangered animals. The Washington Convention applies to three categories of species, as discussed below. For more information on the specific content and applicability of these classifications, please contact the Trade Licensing Division, Trade and Economic Cooperation Bureau, Ministry of Economy, Trade and Industry.

Appendix I (All species threatened with extinction)

Commercial traffic in these species or products made from these species is prohibited. For customs purposes all of these animals are designated as import quota items and the Minister of Economy, Trade and Industry must approve an import quota before any such item can be imported.

Appendix II (All species requiring strict international regulation to prevent danger of extinction)

The importer of any such species or product made from a member of such species must present to Japanese customs authorities an export certificate or re-export certificate from the management authority of the exporting country. Some species need prior confirmation by the Minister of Economy, Trade and Industry.

Appendix III (All Species which any party identifies as being subject to regulation and as needing the cooperation of other parties in the control of trade)

The importer of any such species or product made from a member of such species must present to Japanese customs an export certificate and a certificate of origin issued by management authority of exporting country, or a certificate granted by the management authority of the country of re-export that specimen was processed in that country. Some species need prior confirmation by the Minister of Economy, Trade and Industry.

However, animals may be bred and raised in captivity for commercial purpose of providing animal hides is permitted so long as a certificate by the management authority of exporting country to that effect is granted. The text of the Convention specifically mentions the following endangered species as meriting special surveillance:

- Russia:Lynxes
- China:.....Leopard Cats
- Canada:Coyotes Bobcats, Lynx Cats, and Lynxes
- Norway:Seals, Fur Seals

It can be difficult to determine whether leathers under its common name corresponds to a species covered under the Washington Convention, or whether the material came from animals that were systematically grown or not. Accordingly, it is preferable when importing leather bags to list the scientific name on the invoice, even if the leathers indisputably came from a species not covered by the Convention.

2) Wild Life Protection and Hunting Law

When importing bags containing some species of fur, it is required to attach the export certificate or legally captured certificate issued by the government agency of the exporting country.

3) Customs Tariff Law

Customs Tariff Law prohibits the importation of fake name brand items that infringe trademark rights, design rights and other intellectual property rights. Imports of goods that infringe intellectual property rights are protected at customs under the Law. Any Goods suspected of infringement are either confiscated, destroyed or returned to the shipper. In recent years, serious problem in this field is the large number of fake name brand products.

(2) Regulations and Procedural Requirements at the Time of Sale

The sale of some type of leather bags is subject to the Law for Conservation of Endangered Species of Wild Fauna and Flora and the Act Against Unjustifiable Premiums and Misleading Representations. In addition, containers and packaging may be subject to provisions of the Containers and Packaging Recycling Law and the Law for Promotion of Effective Utilization of Resources. For more detailed information about the subject, scope, labeling method, etc., please consult the competent government agencies listed below.

1) Law for Conservation of Endangered Species of Wild Fauna and Flora

The Law established a comprehensive legal framework of protection for species considered to be in danger of extinction. Leather bags made from leathers, which are designated as species specially identified for protection, may not be sold or transferred in Japan. However, species that are being raised for commercial purposes may be distributed in Japan, provided that proper registration procedures with the Minister of the Environment are completed. Registration procedures are with the Natural Environment Research Center, a registration organization officially designated by the Ministry of the Environment. For more details, please consult the Wildlife Division, Nature Conservation Bureau, Ministry of the Environment.

2) Household Goods Quality Labeling Law

Provisions of the Household Goods Quality Labeling Law require document bags, overnight bags, suitcases, trunks and knapsacks made of cowhide, horsehide, pigskin, sheepskin or goatskin leather to bear proper labeling to provide information that consumers need to make purchases. Handbags, coin purses and other similar types of bags are not subject to these provision, however.

(3) Regulatory Agency Contact

- Foreign Exchange and Foreign Trade Law (Import Trade Control Order)
Trade Licensing Division, Trade and Economic Cooperation Bureau, Ministry of Economy, Trade and Industry
TEL: 03-3501-1511 <http://www.meti.go.jp>
- Customs Tariff Law
Compensation and Operation Division, Customs and Tariff Bureau, Ministry of Finance
TEL: 03-3581-4111 <http://www.mof.go.jp>
- Law for Conservation of Endangered Species of Wild Fauna and Flora / Wild Life Protection and Hunting Law
Wildlife Division, Nature Conservation Bureau, Ministry of the Environment
TEL: 03-3581-3351 <http://www.env.go.jp>
- Household Goods Quality Labeling Law
Consumer Affairs Policy Division, Consumer Affairs Department, Commerce and Information Policy Bureau, Ministry of Economy, Trade and Industry
TEL: 03-3501-1511 <http://www.meti.go.jp>
- Act Against Unjustifiable Premiums and Misleading Representations
Consumer Related Trade Division, Trade Practices Department, Fair Trade Commission of Japan
TEL: 03-3581-5471 <http://www.jftc.go.jp>
- Containers and Packaging Recycling Law / Law for Promotion of Effective Utilization of Resources
Recycling Promotion Division, Industrial Science and Technology Policy and Environment Bureau, Ministry of Economy, Trade and Industry
TEL: 03-3501-1511 <http://www.meti.go.jp>
Recycling Promotion Division, Waste Management and Recycling Department, Ministry of the Environment
TEL: 03-3581-3351 <http://www.env.go.jp>

4. Labeling

(1) Legally Required Labeling

The Household Goods Quality Labeling Law requires that all luggage made from cowhide, horsehide, pigskin, sheepskin or goatskin leather indicate the type of leather material used, the care and preservation methods, and name and address or telephone number of labeling entity that should be employed.

Example label for leather luggage

Type of leather:	Cowhide
Care and storage	1) Hang in shaded area to dry if becoming wet. 2) Do not use benzene for cleaning. 3) Do not store in hot location.
XYZ Co., Ltd	X-X, YY-machi, ZZ prefecture TEL: 01-2345-6789

1) Act Against Unjustifiable Premiums and Misleading Representations

The Act establishes country of origin label standards so that consumers will not make a Japanese-made products for a foreign-made products, and so they can readily identify the country of origin.

2) Law for Promotion of Effective Utilization of Resources

When paper or plastic is used as a packaging material for wrapping of individual product items, or for labels, tags, external packaging or elsewhere, a material identifier mark must be displayed with information where the material is used.

< Example >



(2) Voluntary Labeling Based on Provisions of Law

There is no voluntary labeling based on provisions of law for leather bags.

(3) Voluntary Industry Labeling

1) Luggage

The Japan Luggage Association has adopted labeling guidelines consistent with provisions of the Household Goods Quality Labeling Law that apply to all luggage whose exterior surface consists of 60% or more cowhide, horsehide, pigskin, sheepskin or goatskin leather. The topside of the label displays the standard Leather Mark, while the bottom side indicates the type of leather material and the care and preservation methods that should be employed. Bags made in Japan also have a mark of reliability sewn in them.

For more information, contact:

- Japan Luggage Association TEL: 03-3862-3511

Example label for luggage



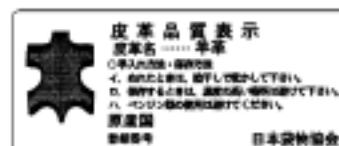
2) Handbags

The Japan Handbag Association has adopted a standard labeling format to be used with all handbags and fashion bags whose exterior surface consists of 60% or more cowhide, sheepskin or pigskin leather. This label displays the type of leather material used, usage warnings and the country of origin.

For more information, contact:

- Japan Handbag Association TEL: 03-3851-5278 <http://www.handbag.gr.jp>

Example label for handbag



5. Taxes

(1) Customs Duties

Fig. 4 presents customs duties on leather bags.

[Preferential Tariff System]

In order to apply for preferential tariff rates, the importer should submit a certificate of origin issued by the Customs or other issuing agency in the country of export (not required if the total value of the shipment is no greater than ¥200,000). For more details, please contact the Customs and Tariff Bureau, Ministry of Finance.

[Exceptional Measures under the Temporary Tariff Measures Law]

If raw material is exported from Japan and used it to manufacture leather products (HS No. 42.02, articles with outer surface of leather, composition leather or patent leather), then imported back to Japan within one year of the export permit date, the Temporary Tariff Measures Law provides for a reduction on applicable customs duties on the exported article. The reduction is equal to the price of the exported raw materials times the tariff rate for the imported product. To qualify for the reduction, a “Declaration of Confirmation of Processing or Assembly Export Cargo” form must be filed and be approved by the Customs at the time of export.

Fig. 4 Customs duties on leather bags

HS No.	Description	Rate of Duty (%)			
		General	WTO	Preferential	Temporary
4202.11	Trunks, suit-cases, vanity-cases, executive-cases, brief-cases and similar containers:				
-100	1. Vanity-cases	20%	16%	12.8% *Free	
-200	2. Other containers	12.5%	10%	8% *Free	
21	Handbags				
	1. Combined or trimmed with precious metal, metal clad with precious metal, metal plated with precious metal, precious stones, semi-precious stones, pearls, coral, elephants' tusks or <i>Bekko</i> , more than 6,000 yen /piece in value for customs duty:				
-110	(1) Of leather or of patent leather	17.5%	14%	11.2% *Free	
-120	(2) Other handbags, not of leather or not of patent leather	20%	16%	12.8% *Free	
	2. Other handbags				
-210	(1) Of leather or of patent leather	10%	8%	6.4% *Free	
-220	(2) Other handbags	12.5%	10%	8% *Free	
31	Articles of a kind normally carried in the pocket or in the handbag:				
-100	1. Wallets and purses, combined or trimmed with precious metal, metal clad with precious metal, metal plated with precious metal, precious stones, semi-precious stones, pearls, coral, elephants' tusks or <i>Bekko</i> , more than 6,000 yen /piece in value for customs duty	20%	16%	12.8% *Free	
-200	2. Other articles of a kind normally carried in the pocket or in the handbag	12.5%	10%	8% *Free	
91 -000	Other	12.5%	10%	8% *Free	

Note 1: "*Free" in Preferential Rate is applicable only for Least Less Developed Countries.

Note 2: Refer to "Customs Tariff Schedules of Japan" (published by Japan Tariff Association) etc. for interpretation of tariff table.

(2) Consumption Tax

(CIF + Customs duty) x 5%

6. Product Characteristics

(1) Comparisons with Japanese Products

Japanese luggage and handbags generally feature world-class quality comparable to that of products from Italy and France. Products imported in volume from China are generally low-priced mass-market products that benefit from the abundance of labor and low wages in those countries. Imports from Italy and other EU countries mostly consist of high-priced name brand merchandise.

(2) Characteristics of Products from Different Countries / Regions

• Italy

Italy has one of the world's most advanced leather goods industries, and its products are noted for their excellent materials, their superior styling and their distinctive use of color.

• France

Many French exports are higher priced name brand products. Its traditional handmade-style products tend to do better than mass-market products.

• Germany

German products are known for their superior functionality, excellent workmanship, and fine overall balance and elegance.

- China
China has established itself as one of Japan’s main production bases for apparel and accessory products. In addition, a growing number of products are being made in Chinese factories from Hong Kong design specifications.
- Republic of Korea
The quality and designs of Korean-made products have improved remarkably. Korean manufacturers are shifting production to China and other countries/regions in Asia due to rising labor costs.

7. Domestic Distribution System and Business Practices

(1) Domestic Market Conditions

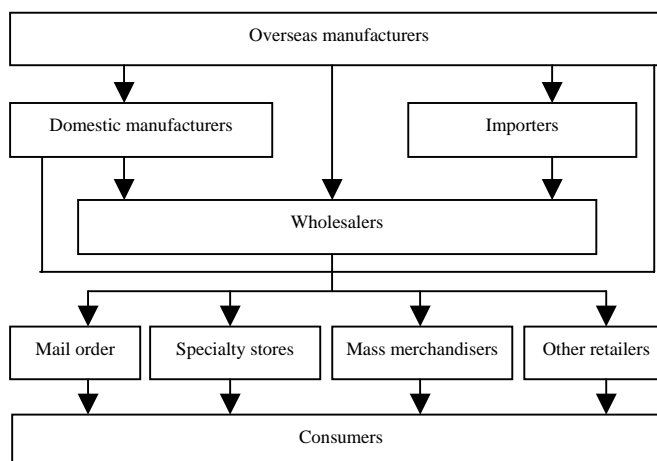
The bag market as a whole has grown as fashion trends diversify and more firms from other industries (such as apparel makers and import trading companies) go into the luggage and handbag business. However, that market growth shows signs of leveling off. In addition, the distinction between luggage and handbags is becoming increasingly blurred as more products appear that cannot be readily classified as one or the other. Handbags in particular are highly sensitive to fashion trends, and product life cycles are brief. In recent years, leather handbags have become less popular as more people use nylon bags. Consumers tend to prefer lightweight bags with ample capacity.

The fashion field clearly demonstrates the trend toward consumer selectivity and focus in the current environment of depressed consumer spending. Low-cost good-quality bags made in China have attracted overwhelming consumer support. At the same time, expensive upscale brands such as Louis Vuitton have seen their sales in Japan grow steadily from year to year. The market is showing a pronounced tendency toward polarization. The losers have been products in the middle price ranges with few distinguishing features. Louis Vuitton set up its Japanese subsidiary in 1978, and since that time the company has seen its sales in Japan grow steadily. In 2000, Louis Vuitton became the first foreign brand to break the ¥100 billion barrier. A distinctive trait of the Japanese fashion market is that demand for these upscale brands is sustained not merely by the wealthy but by ordinary female office workers.

(2) Distribution Channels

The most common distribution channel in Japan is from wholesaler to retailer and ultimately to the consumer. Imported bags, on the other hand, reach the consumer through a variety of channels. Name brand imported products are generally sold to department stores and specialty stores by authorized agents or by Japanese subsidiaries of the overseas manufacturer. Some department stores and supermarkets order direct to foreign manufacturers. There are also “development imports” which are manufactured to Japanese specifications, or “parallel imports” which are bought directly from retailers in other countries and sell the merchandise in Japan. Recently, a number of large direct outlet stores (megastores) opened in prestige locations and they have become beacons for projecting brand image directly to Japanese consumers.

Fig. 5 **Distribution channels for luggage and handbags**



(3) Key Considerations for entering the Japanese Market

As stated previously, products containing the leather of certain endangered species are subject to provisions of the Washington Convention, and as such require a certificate of origin before being allowed into Japan. One of the greatest obstacles facing any prospective new market entrant is securing a stable supply of merchandise. It is essential to acquire a thorough understanding of bag products and to make complete after-sales service programs. In the future consumers are likely to demand even greater distinctiveness, diversity and performance from the products they buy, and they are likely to have an ever-wider range of choices in the marketplace. Accordingly, it is very important to understand consumer needs and preferences. The time has passed when a product would sell on the strength of prestigious brand name alone. Products have to be able to attract consumer attention on their own merits. Manufacturers and importers need to be able to gather and assimilate information, analyze the market and design good products in order to succeed.

Another problem in this field is the large number of fake name brand products. The Customs Tariff Law prohibits the importation of fake name brand items that infringe trademark and other intellectual property rights. Any such item detected at customs will be either confiscated or destroyed.

8. After-Sales Service

Normally after-sales service is the immediate responsibility of the retailer. However, since very few retailers have any repair capabilities, bags are generally sent to a repair facility in Japan. If replacement parts are unavailable, the item may be sent back to the original manufacturer overseas. Most name brand products have after-sales service programs similar to those described below.

1) Products imported through authorized dealer agents

The retail outlet fields customer requests for repairs of damaged items and replacement of defective merchandise. Replacement parts must be ordered from the country of origin if unavailable.

Manufacturers have differing policies regarding whether the repair or replacement request must be made at the same store where the item was purchased, but direct outlets and department stores generally will accept such requests. In some cases, the authorized dealer agent's head office will also accept repair or replacement requests.

2) "Parallel imports," direct import by individuals, or other non-authorized channel purchases

In principle, authorized dealer agents accept repair and replacement requests even for merchandise purchased outside authorized channels. However, while some agents treat this merchandise the same as if it were purchased through one of their outlets, others impose an additional fee.

In the case of a product purchased outside Japan, whether or not the agent can repair the item depends on whether the agent carries a similar item in Japan. If not, since it may be difficult to find replacement parts, the agent may not be able to accommodate the request.

9. Related Product Categories

Please refer to the sections on "Fur and Fur Products" (II-1) and "Leatherwear" (II-2) in this guidebook for information on those product categories.

10. Direct Imports by Individuals

Individuals may freely import bags in quantities deemed appropriate for personal use. However, some items may be restricted or proscribed entirely by the Washington Convention. Also, individuals who are importing name brand merchandise can expect the items to be checked closely to make sure they are not fakes.

11. Related Organizations

- Japan Luggage Association
- Japan Handbag Association

TEL: 03-3862-3511

TEL: 03-3851-5278

<http://www.kaban.or.jp>

<http://www.handbag.gr.jp>