

1. Carpets

1. Definition of Category

Pile weaves and other similar types of carpets used as indoor floor coverings.

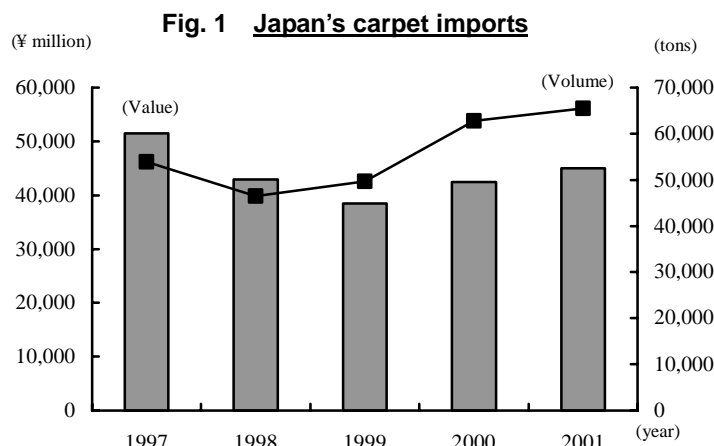
HS Numbers	Commodity
5701	Knotted
5702	Woven
5703	Tufted
5704	Felt
5705	Other

Note: Please refer to "6. Product Characteristics" below for a description of each type of carpet.

2. Import Trends

(1) Recent Trends in Carpet Imports

Carpet imports peaked in 1995 but then went into a decline on both a volume and value basis. However, in 2000 imports suddenly turned sharply upward again. 2001 saw another increase, to 65,464 tons (up 4.3% from the year before) that set a new all-time record for two straight years. On a value basis, imports also reached ¥45.1 billion, an increase of 6.1%. By volume, most imported carpets consist of mass-market tufted carpets (29,809 tons, import share 45.5%) and woven carpets (26,843 tons, share 41.0%, including some hand-woven carpets). 2001 saw a significant increase in imports of tufted carpets from China.



	1997		1998		1999		2000		2001	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Knotted	3,657	16,787	2,680	12,538	2,578	10,148	2,831	10,520	2,274	10,040
Woven	20,616	15,527	18,077	14,174	20,603	13,496	26,968	15,689	26,843	16,988
Tufted	26,924	17,389	23,284	14,566	23,427	13,183	27,730	13,771	29,809	14,839
Felt	1,012	576	1,312	707	1,600	635	2,271	764	2,282	761
Other	1,730	1,195	1,172	999	1,511	1,005	2,971	1,720	4,255	2,430
TOTAL	53,939	51,474	46,526	42,984	49,718	38,467	62,771	42,464	65,464	45,058

Units: tons, ¥ million

Source: Japan Exports and Imports

Most carpets classified as dantsu under HS classification come mainly from China, as Chinese dantsu knotted carpets, and from Pakistan and neighboring countries, as Persian carpets. The products of this category are hand woven and expensive. In the case of Chinese knotted carpets, prices have been falling sharply. Regarding Persian carpets, import prices have been pushed up due to the weak yen in recent years; demand has been declining.

(2) Imports by Place of Origin

China was an exporter nation posting conspicuous gains in exports of carpets to Japan in 2001, rising to 20,233 tons (share 30.9%) with an increase of sizeable 34.0% from the year before.

In the past China mainly exported luxury-grade dantsu, but in recent years Japanese makers have shifted production to China, and Chinese factories have been doing more OEM production for Japanese makers. As a result, low-end tufted carpets now are China's leading export products to Japan. In addition, China also posted an increase in the category of woven carpets (up 31.3% from the year before, import share 25.5%), competing with top ranked Belgium (30.9%). The United States export a considerable amount of tufted carpets to Japan for use as automotive carpeting. But imports from the United States declined from 11,132 tons to just 5,293 tons in the recent five years. Japan also imports luxury-grade hand-woven carpets from Iran, India and Pakistan, tufted carpets from Thailand, and felt carpets from the Republic of Korea.

Fig. 2 Principal exporters of carpets to Japan

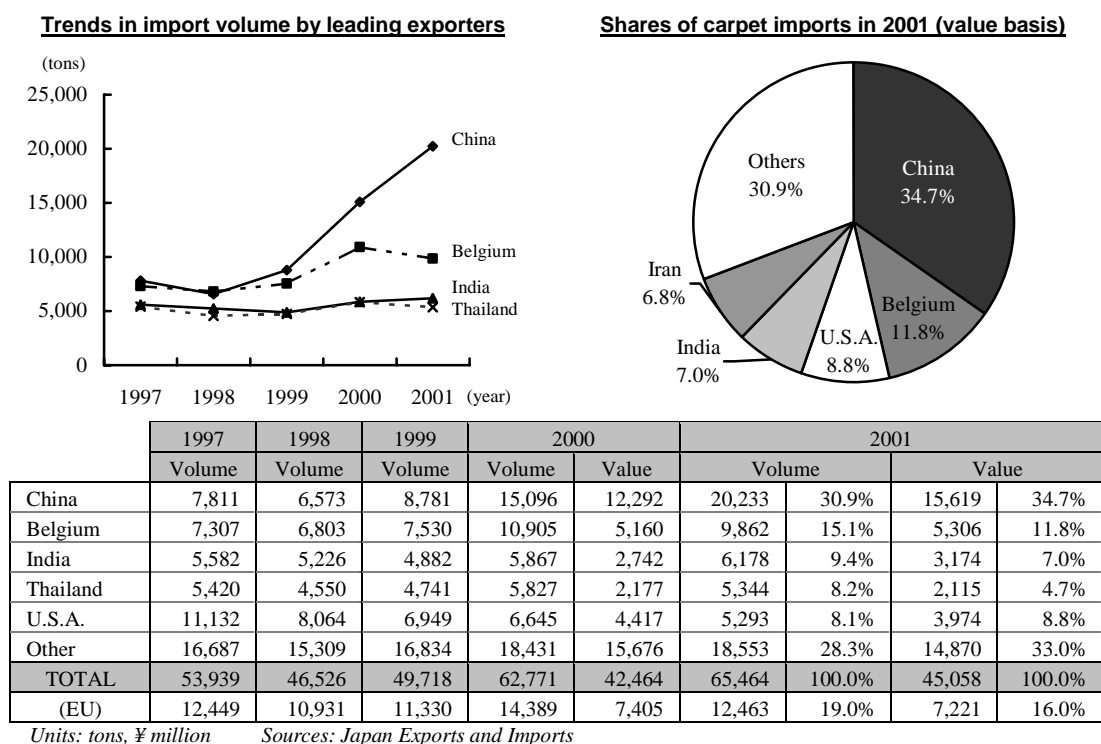


Fig. 3 Leading exporters of carpets to Japan by category (2001)

	Import	First	Share	Yearly change	Second	Share	Yearly change
Knotted	2,274	China	59.5%	78.0	Iran	16.5%	101.5
Woven	26,843	Belgium	30.9%	93.4	China	25.5%	131.3
Tufted	29,809	China	31.6%	141.9	Thailand	17.7%	91.8
Felt	2,282	R Korea	30.8%	144.3	Indonesia	21.7%	133.8
Other	4,255	China	58.5%	195.5	Taiwan	17.2%	194.9

Unit: tons Source: Japan Exports and Imports

(3) Imports' Market Share in Japan

Imports' market share sank to just 25.7% of the market on a value basis in 1999, when carpet imports experienced a major decline. However, the market share recovered to 28.2% in 2000. As more and more carpet makers shift manufacturing to China, further market share growth for imports can be expected in the future.

Fig. 4 Imports' share in the Japanese market

	1997	1998	1999	2000
Domestic production	109,390	101,823	112,798	109,534
Imports	2,625	2,075	1,690	1,437
Exports	51,474	49,284	38,467	42,464
Market total	158,239	149,032	149,575	150,561
Imports' share	32.5%	33.1%	25.7%	28.2%

Units: ¥ million Sources: Statistics of Textile, Japan Exports and Imports

3. Key Considerations related to Importing

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

There are no particular legal regulations on the importation of carpets.

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

1) Household Goods Quality Labeling Law

Among carpets, pile carpets (other than felt carpets) must bear labeling listing appropriate items as required by the Law. Products may not be sold without labels. (See 4. Labeling)

2) Fire Service Law

Any carpet 2 square meters or larger used in public buildings and other fire prevention property (such as a high-rise building, underground arcade, department store, theater, inn or hospital. See Fig. 5) must be certified as fire-retardant items. The Law mandates to display a designated fire-retardant item label (see 4. Labeling). In the past, the only carpets that were allowed to display fire-retardant label were those certified by the Director-General of the Fire and Disaster Management Agency. But a revised ministerial ordinance was issued in January of 2001 that allows entities to display fire-retardant label either by applying to the Fire and Disaster Management Agency or by having the carpet material tested at a designated organizations. For details on procedures, contact the Japan Fire Retardant Association.

- Japan Fire Retardant Association TEL: 03-3246-1661 <http://www.jfra.or.jp>

Fig. 5 Facilities subject to use of fire-retardant items

Classification	Buildings with fire retardant requirements
Facilities where smoke, etc. would rapidly spread and where firefighting activities and evacuation would be difficult in the event of a fire	High-rise buildings (meaning buildings of over 31 m height), Underground arcades
Facilities used by unspecified large numbers of persons	Theaters, movies theaters, performance halls, or arenas; Public auditoriums or meeting places; Cabarets, cafes, night clubs, or other similar establishments; Recreation halls or dance halls; Assignment house, restaurants, or other similar establishments; Food service establishments; Department stores, markets, or other retail sales / exhibition establishments; Inns, hotels, or other lodging establishments; Wet and dry public saunas, or other similar establishments; Parts of buildings housing a number of independent business institutions, used for applications of the above fireproof articles; Partially underground plazas
Facilities used by unspecified large numbers of persons which hold persons with poor ability to escape due to illness, injury, disability, old age, or young age	Hospitals, medical clinics, diagnostic clinics, or birthing centers; Senior citizen centers, nursing homes, senior citizen health facilities, rescue facilities, rehabilitation facilities, child welfare facilities (other than mothers and children's homes and child welfare facilities), handicap rehabilitation facilities (only those for persons with physical handicaps), prospective facilities for the mentally retarded and halfway houses for the mentally handicapped; Child care centers, schools for the blind or deaf, schools for the retarded
Facilities using large amounts of curtains and plywood for large props and high in danger of fire to due heat from lights etc.	Motion picture or television studios
Facilities using construction sheets with frequent history of fires	Buildings (not including residential structures and their attachments located outside urban planning districts), platform sheds, storage tanks, chemical product manufacturing devices or other similar items which are under construction

3) Law for Control of Household Products Containing Harmful Substances

Carpet that containing insecticide or fire-retardant compounds must comply with standards set forth under the Law. Products that fail to comply with those standards may not be sold or given away (or displayed in the storefront for these purposes) in Japan.

(3) Competent Agencies

- 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>

- Fire Service Law

Protection Division, Fire and Disaster Management Agency, Ministry of Public Management, Home Affairs, Posts and Telecommunications

TEL: 03-5253-5111

<http://www.fdma.go.jp>

- Law for Control of Household Products Containing Harmful Substances
Safety Division, Pharmaceutical and Medical Safety Bureau, Ministry of Health, Labour and Welfare

TEL: 03-5253-1111

<http://www.mhlw.go.jp>

4. Labeling

(1) Legally Required Labeling

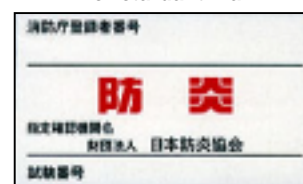
1) Household Goods Quality Labeling Law

Under the Textile Product Labeling Standards based on the Household Goods Quality Labeling Law, carpets with piles must be labeled as to the composition of the fiber, name and address (or telephone number) of labeler. Labeling must be readily visible, and placed at a readily visible location. The law once mandated fire retardant information for carpets, but this requirement has been eliminated by a decision that it is sufficient to comply with labeling requirements under the Fire Service Law.

2) Fire Service Law

Fire-retardant carpets must bear fire-retardant label in the stipulated format (shown at right) that indicates either 1) the Fire and Disaster Management Agency registration number or 2) the name of the designated confirmation facility (when submitted for outside confirmation). Registrants under the former ministerial ordinance are treated as having already been certified under the new ordinance. In this instance, the registrant may list its own name and display a statement indicating it has confirmed fire-retardant performance on its own.

Example label for fire-retardant mark



(2) Voluntary Labeling based on Provisions of Law

1) Industrial Standardization Law (JIS Mark)

Under the Industrial Standardization Law (JIS Law), standards are set for the quality of industrial products. Products meeting the JIS standards may be labeled with the JIS mark of approval. Products are designated which may be so labeled among the products covered by the JIS (“JIS Mark Labeling System”). Among carpets, tufted carpets and woven carpets are covered by the JIS mark system.

For details, contact

- Japanese Standards Association

TEL: 03-3583-8005

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

JIS Mark



(3) Voluntary Industry Labeling

There is no voluntary industry labeling for carpets.

5. Tax Laws and Regulations

(1) Customs Duties

Applicable tariff rates for carpets are minutely differentiated by product type and material used. Fig. 6 on the following page contains only a representative sample of customs classifications and tariff rates. For more information, consult the Customs Tariff Schedules of Japan or contact customs authorities.

(2) Consumption Tax

(CIF + Customs duties) x 5%

6. Product Characteristics

(1) Characteristics by Type

Carpets are broadly classified into hand woven and machine woven carpets. Carpets are also classified by purpose into area carpets and wall-to-wall carpets. A brief description of each type of carpet appears below.

<Knotted carpets>

Winding pile threads around the warp threads and securing them in place with the weft threads make knotted carpets. Many kinds of knotted carpets, the best known of which is perhaps the Persian carpet, are traditional hand craft products intended as single-piece items for covering a portion of the floor. Prices vary greatly according to pile density, workmanship and other quality-related factors.

Fig. 6 Customs duties on carpets

HS No.	Description	Rate of Duty (%)			
		General	WTO	Preferential	Temporary
5701	Carpets and other textile coverings, knotted	9.6%	9.1%	1.74% *Free	
5702	Carpets and other textile coverings, woven, including hand-woven	Free~13.4%	3.2~10.1%	Free~6.6% *Free	
5703	Carpets and other textile coverings, tufted				
10	Of wool or fine animal hair	9.6%	8.7%	5.22% *Free	
20~30	Of nylon or other polyamides, or of other man-made textile materials				
	(1) Of size and shape suitable for incorporation in motor vehicles	Free	(7.%)		
	(2) Other than the above	9.6%	7.%	4.2% *Free	
90	Of other textile materials	9.6~13.4%	9.1~10.1%	5.22~6.06% *Free	
5704	Carpets and other textile coverings, of felt	Free~8.5%	8.2%	Free	
5705	Other carpets and other textile coverings	9.6~13.4%	8.7~10.1%	5.22~6.06% *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.

<Tufted carpets>

The most common method for mass-producing tufted carpets is to use a sewing machine to insert pile into a pre-woven base sheet and then coating the underside of the carpet with synthetic rubber or another similar compound. Mass production drives down costs, and as a result, tufted carpets are widely used in both businesses and private homes. Most tufted carpets are roll-type carpets used to cover most or the entire floor surface.

Note 1: Base sheet.....Stiff sheet of fabric used as a shape stabilizer in carpeting.

Note 2: Pile.....Cut or looped pieces of yarn or other textile material with directionality inserted in the base sheet or sheet of fabric.

<Hooked carpets>

Hooked carpets are a type of semi-machine-woven carpet made by using a pistol-shaped hooking machine to insert pile into the base sheet. Because hooked carpets are not subject to the same machine weaving limitations as tufted carpets, each carpet can have its own unique pattern or color scheme. As a result, hooked carpets are available not only as single-piece carpets but as special-order roll carpets for use in hotels and other public buildings.

<Wilton carpets>

Wilton carpets are made by simultaneously weaving the warp and weft threads. There are two types of Wilton carpets: single Wilton and double-face Wilton carpets. Many Wilton carpets are luxury-type products with high pile density. They are highly durable and feature a wide variety of styles and patterns.

<Axminster carpets>

Axminster carpets are made by simultaneously weaving the warp and weft threads. Axminster carpets come in a wide variety of colors, and they feature even more elegant and delicate patterns than Wilton carpets.

<Felt carpets>

Felt carpets are made from so-called unwoven felt fabric, which is made by compressing the fabric and packing it together with a needle. Felt carpets range from upscale compacted wool felt carpets to mass-market needle punch carpets made from synthetic fabrics.

(2) Characteristics of Products from Different Countries / Regions

Most imports from the United States consist of synthetic fabric tufted carpets and automotive floor area carpets. The same is true for Austrian exports. From Belgium, Wilton carpets are imported. In contrast, hand knotted expensive carpets (so-called *dantsu*) are imported from China. Chinese knotted carpets are noted for the subtlety of their relief patterns and shading and for their distinctive color schemes. Carpets from different parts of China also have their own distinctive traits. Tianjin is known for its luxury-grade products, while Qingdao is known for its mass-market products and Shanghai for its silk carpets. Iran and other Middle Eastern countries are best known for their so-called Persian carpets.

There are six traditional carpet-making areas in Iran, all of which have their own distinctive styles and patterns. For its part, Pakistan is known for its brown and beige elephant foot pattern carpets. Pakistani carpets are priced somewhere in between Iranian and Chinese carpets.

7. Domestic Distribution System and Business Practices

(1) Domestic Market Conditions

The carpet market is heavily linked to fluctuations in new housing starts. In Japan new housing starts reached 1.63 million units in FY 1996, as builders rushed to get dwellings built prior to the increase in the consumption tax rate. Since FY 1998, though, new housing starts have dropped to around 1.20 million units, partly in reaction to the higher demand in earlier years and partly due to the lingering economic recession. There is little hope for future growth in new housing starts, though growth is expected in home renovations.

Fig. 7 Trends in new housing starts

F Y	1995	1996	1997	1998	1999	2000
New housing starts	1,484,652	1,630,378	1,341,347	1,179,536	1,226,207	1,213,157
<Annual change>	95.1	109.8	82.3	87.9	104.0	98.9

Unit: units

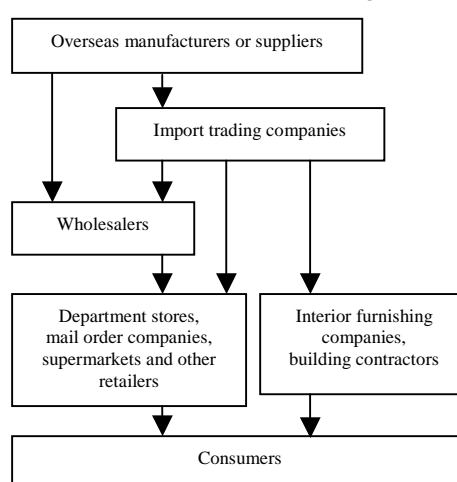
Source: Yearbook of Construction Statistics

Domestic production of carpets totals about ¥100-110 billion, of which more than 90% is tufted carpets. Demand for tufted carpets, particularly for rolled tufted carpets, has been declining due to increased demand for wooden flooring. In recent years, however, the functions of carpets have been increasing as manufacturers are introducing new carpets such as tick repellent ones. As a result, the number of consumers who evaluate the advantages of carpets in terms of heat and noise insulation has been increasing.

(2) Distribution Channels

The most common distribution channel is from overseas supplier to import trading company to wholesaler to retailer to the consumer. Recently there have been more cases of wholesalers doing business directly with overseas suppliers. At the same time, there have also been instances of trading companies venturing into retailing. Thus, the borderline between trading company and wholesaler has increasingly become blurred. Imports of hand-woven Iranian, Pakistani and Turkish carpets through import channels other than the traditional specialty trading company channel have been increasing rapidly. Retailing in Japan has also witnessed new market entrants from other industries, including mail order companies and door-to-door sales companies.

Fig. 8 Distribution channels for carpets



(3) Key Considerations for entering the Japanese Market

Carpet distribution patterns are by no means fixed, so it is possible to choose from a number of distribution methods when importing carpets into Japan. The recent trend has been for Japanese importers to work more closely with suppliers in other countries to design carpets that use color combinations that Japanese consumers like and otherwise tailor products to Japanese market preferences.

For example, more and more overseas carpet makers are now making carpets the same size as a Japanese 4.5 “tatami” mat room, a common room size in Japanese homes and apartments. Some particular points to consider are listed below for each major type of carpet and place of origin.

<Chinese knotted carpets>

Japanese importers are now allowed to do business freely with China’s state-owned carpet making company. More Chinese folk craft makers now have liaison offices in Japan, and information about the industry can be obtained from the Chinese embassy. As is the case with Indian carpets, Chinese carpets are produced in quantity from the same patterns, so it is possible to place orders from pattern book listings.

<Persian carpets>

While it is possible to purchase carpets in the bazaars, it is disadvantageous from a price perspective to do so. There are no carpet makers who operate like machine-woven carpet makers, and most exporters serve a function more similar to that of a broker. Consequently, importers must exercise great caution when they are not in position to inspect the merchandise themselves.

Authentic hand-woven carpet makers operate not as individual craftsmen but rather as business enterprises. They either have production facilities of some size, or sometimes have a number of facilities and a number of workers (including family member employees). They supply their workers with yarn and provide instruction as well. Such enterprises usually offer continuity and confidence in an ongoing import business relationship. By the very nature of the product, it is important to inspect and verify the product before taking delivery for import. It is safer to avoid signing delivery contracts based on photographs or catalog entries only.

8. After-Sales Service

Normally the retailer deals with color stability and other product quality problems with carpets. Distributors should make consumers aware of potential problems that may arise from improper handling and cleaning practices.

9. Related Product Categories

For detailed information on curtains, please refer to the section “V-2 Curtains” in this guidebook.

<Tapestries>

Tapestries are a type of carpet with patterns and sizes that make them suitable for use as wall hangings. Most tapestries feature either landscapes or religious subject matter. Regulatory requirements and distribution practices are the same as for carpets.

<Woven products made from bamboo, reeds or similar materials>

Depending on the type of plant material used, these products may be subject to provisions of the Plant Protection Law. For more information, contact the Tokyo Branch, Yokohama Plant Protection Station (TEL: 03-3471-4113).

10. Direct Imports by Individuals

There are no restrictions on direct imports for personal use with regard to quantity, price or any other factors. However, Iran and other countries in the Middle East require export permits to take carpets out of the country even when they are openly sold as souvenir or sample items within the country. It is possible to use the services of a local agent to acquire the carpets and complete all necessary paperwork, but their fees are sometimes quite high, as are transportation costs.

11. Related Organizations

- | | | |
|---|-------------------|---|
| • The Japan Textiles Importers Association | TEL: 03-3270-0791 | |
| • Japan Interior Decoration Association | TEL: 03-3431-2775 | http://www.nissouren.jp |
| • Japan Carpet Association | TEL: 06-4704-2150 | |
| • Japan Fire Retardant Association | TEL: 03-3246-1661 | http://www.jrfa.or.jp |
| • Japan Floor Covering Manufacturers’ Association | TEL: 0722-45-7321 | |
| • Japan Wool Products Inspection Institute Foundation | TEL: 03-3818-6111 | http://www.jwif.org |