



2. Leatherwear

1. Definition of Category

Garments made of cow, pig or sheep skin leather.

HS Numbers	Commodity
4203.10	Leatherwear

2. Import Trends

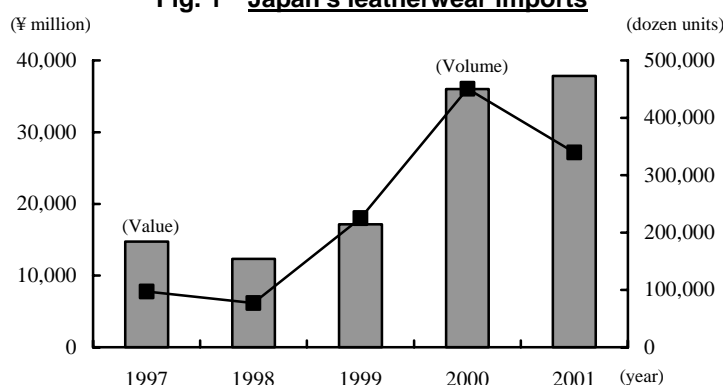
(1) Recent Trends in Leatherwear Imports

Leatherwear once had a distinct luxury image, but in the 1980s the rise in the value of the yen pushed down prices and expanded the range of available choices. Leatherwear became an entrenched part of fashions among young adults, and the market grew considerably. Nevertheless, the Japanese economy began to slow in 1990, and a dramatic drop in consumer interest in leatherwear accompanied this. The increases in the consumption tax rate in 1997 led to a slump in sales of luxury-class apparel products, and this also affected imports of leatherwear.

However, 1999 witnessed a dramatic increase in popularity among young adults of casual leatherwear mainly from China. This resulted in a roughly threefold increase in imports from 77,129 dozen units to 225,230 dozen units. This resurgence carried forward into 2000 as well, as leatherwear imports doubled to 450,608 dozen units worth a total of ¥36.0 billion.

Leather wear imports fell by 24.3% on a volume basis in 2001 from the year before, to 4.08 million garments (339,418 dozen units). However, the slide in unit prices came to a halt, and on a value basis imports actually rose by 5.1%, to ¥37.9 billion. Aided partly by the weak yen, the average price per garment climbed from ¥6,693 in 2000 to ¥9,298 in 2001.

Fig. 1 Japan's leatherwear imports



	1997		1998		1999		2000		2001	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Leatherwear	97,432	14,731	77,129	12,335	225,230	17,151	450,608	36,031	339,418	37,871

Units: dozen units, ¥ million

Source: Japan Exports and Imports

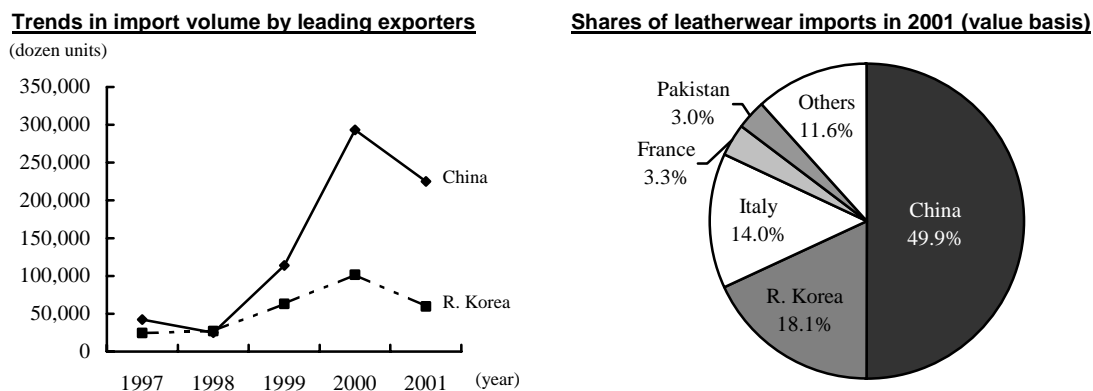
(2) Imports by Place of Origin

The leading exporters of leatherwear to Japan are China and the Republic of Korea, with import share of 66.3% and 17.6% respectively. Imports from China have risen spectacularly of late. Imports grew tenfold in just two years, from 25,072 dozen units in 1998 to 293,138 dozen units in 2000. Most imports from China consist of so-called “development imports” (manufactured overseas to a Japanese company’s specifications and imported into Japan), and most fall into the lower price ranges.

Imports from China sank by 23.3% in 2001 to 224,884 dozen units, but other exporters endured even more precipitous declines, so China’s import share on a volume basis actually increased. And since average unit prices increased, China’s import share recorded a solid gain on a value basis. In contrast, second-place the Republic of Korea suffered a noticeable drop.

The leatherwear boom was fueled by lower-priced products, but the boom in low-end merchandise is waning, and there are signs of a shift to higher-grade items in price terms. Imports of high-end products from Italy and other EU countries saw only a slight decline. Though EU products account for just 5.8% of all imports on a volume basis (19,853 dozen units, down 4.3% from the year before), on a value basis they make up 21.1% of the total.

Fig. 2 Principal exporters of leatherwear to Japan



	1997	1998	1999	2000		2001			
	Volume	Volume	Volume	Volume	Value	Volume		Value	
China	42,326	25,072	114,104	293,138	16,680	224,884	66.3%	18,903	49.9%
R Korea	24,432	27,096	62,987	101,709	9,650	59,627	17.6%	6,865	18.1%
Pakistan	3,778	4,697	7,792	13,474	879	14,456	4.3%	1,152	3.0%
Italy	3,213	3,656	5,830	11,077	3,906	11,018	3.2%	5,311	14.0%
U.S.A.	7,817	4,010	4,752	6,934	1,287	5,955	1.8%	1,125	3.0%
Others	15,866	12,598	29,765	24,276	3,629	23,478	6.9%	4,516	11.9%
TOTAL	97,432	77,129	225,230	450,608	36,031	339,418	100.0%	37,871	100.0%
(E U)	10,117	8,008	13,147	20,738	6,001	19,853	5.8%	7,980	21.1%

Units : dozen units, ¥ million

Source: Japan Exports and Imports

(3) Imports' Market Share in Japan

The market share for imported leatherwear rose to roughly 90% in 1989. The market has contracted in size since that time. Imports' share of the domestic leatherwear market sank to 74.3% in 1997. But soaring imports from 1999 onward have boosted imports' market share to 87.5% in 2000.

Fig. 3 Imports' share in the Japanese market

	1996	1997	1998	1999	2000
Domestic production	4,452	5,186	5,362	4293	5,160
Exports	89	77	50	30	29
Imports	27,199	14,731	17,151	17,151	36,031
Total	31,562	19,840	22,463	21,414	41,162
Imports' share	86.2%	74.3%	76.4%	80.1%	87.5%

Unit: ¥ million

Source: Census of Manufactures, Japan Exports and Imports

3. Key Considerations related to Importing

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

In principle leatherwear imports are unregulated. However, wear that make even partial use of leather from certain species may be restricted or prohibited under terms of the Washington Convention (Convention on International Trade in Endangered Species of Wild Fauna and Flora, so-called CITES).

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

Under terms of the Washington Convention, 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 made wholly or partially from fur of endangered animals, as well as other items such as alligator leather handbags. The Washington Convention applies to three categories of species, as discussed below.

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 leatherwear to list the scientific name on the invoice, even if the leathers indisputably came from a species not covered by the Convention. 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.

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

The sale of leatherwear is subject to provisions of the Household Goods Quality Labeling Law 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) Household Goods Quality Labeling Law

When selling leatherwear, it is subject to labeling requirements imposed by the Household Goods Quality Labeling Law. (see 4. Labeling)

2) 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. Products with vague, confusing or misleading labeling regarding the country of origin may not imported. The place of origin is regarded as the country where work was performed to fundamentally transform an item into the product as it is. In the case of knitted articles, the country of origin is regarded as the place of knitting, while for woven articles the country of origin is regarded as the place of weaving.

3) 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. Leatherwear 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 Wildlife Division, Nature Conservation Bureau, Ministry of the Environment.

(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
- Foreign Exchange and Foreign Trade Law (Washington Convention)
Trade Licensing Division, Trade and Economic Cooperation 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
- Law for Conservation of Endangered Species of Wild Fauna and Flora
Wildlife Division, Nature Conservation Bureau, Ministry of the Environment
TEL: 03-3581-3351 http://www.env.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

1) Household Good Quality Labeling Law

The labeling requirements for leatherwear are set by provisions on quality labeling standards of miscellaneous industrial products under the Household Goods Quality Labeling Law. Note that these provisions were partially amended on January 26, 2000. The provisions require clear indication of the types of materials, cautions on handling, names and addresses of labelers, etc. (Indication of approval number possible for sewn products with 100% leather surfaces) and designate the places of labeling. For details, contact the Consumer Affairs Policy Division, Consumer Affairs Department, Commerce and Information Policy Bureau, Ministry of Economy, Trade and Industry.

Example labeling for leatherwear

Type of material used on surface Sheepskin Cautions on handling a: Washing (including use of benzene) or rinsing may cause leather to fade in color or harden. b: Do not stack. Store in low temperature and humidity locations with good ventilation. During rainy seasons, airing out is recommended. c: To remove stains, use leather garment cleaner. For suede, use eraser, then rub with a hard brush. d: Iron at low temperatures over a cloth. Do not use a steam iron. XYZ Corp., Ltd. X-X, YY-machi, ZZ Prefecture Tel: 01-2345-6789
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<Labeling under the 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 >



External packaging



Individual packaging

(2) Voluntary Labeling based on Provisions of Law

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

(3) Voluntary Industry Labeling**<ALCA Mark System>**

Leatherwear sold in Japan bears the so-called ALCA Mark signifying that the item complies with voluntary standards established by the All Japan Leather Costume Association. The reverse side of this tag contains leather material, usage warnings and size information, etc.

For questions about the ALCA Mark system, please contact:

- All Japan Leather Costume Association TEL: 03-3871-6306

**5. Taxes****(1) Customs Duties**

Following table presents customs duties on leatherwear.

Fig. 4 Customs duties on leatherwear

HS No.	Description	Rate of Duty (%)			
		General	WTO	Preferential	Temporary
4203	Articles of apparel and clothing accessories, of leather or of composition leather				
4203.10	1. Articles of apparel of leather or of composition leather				
-100	(1) Trimmed with fur skin or 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>	40%	16%		
-200	(2) Other articles of apparel of leather or of composition leather	12.5%	10%		

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

(2) Consumption Tax

$(\text{CIF} + \text{Customs duty}) \times 5\%$

6. Product Characteristics**(1) Comparisons with Japanese Products**

Japanese leatherwear generally features world-class tanning technology, workmanship and styling. However, Japanese-made leatherwear is more costly due to higher Japanese wages, and imports of leather products from China have rapidly grown. Most imports from Italy, Spain and elsewhere in Europe are higher priced garments.

(2) Characteristics of Products from Different Countries/Regions

• China

China has begun to attract more attention as a location for Japanese-directed offshore production. Thanks to its strong price competitiveness and considerable technical assistance from Japan, China has succeeded in increasing its exports of leatherwear to the Japanese market.

• Republic of Korea

The quality of Korean-made leatherwear has improved remarkably. However, increased labor costs have exposed Korean-made products to severer competition from Chinese goods.

• Italy

Italian leatherwear offers excellent workmanship and styling, but because of differences in body types and physical dimensions between Europeans and Japanese, sometimes there are problems with the fit. Most Italian exports to Japan are high added value name brand products that fall in high price ranges.

- Spain
Spain's leatherwear tradition is as long as Italy's, and it has a high level of technical skill. Spain has lower wages than Italy and produces much of the leather it needs domestically, so its products are relatively inexpensive.

(3) Characteristics of Different Leather Materials

- Cowhide Leather
Most popular type of leather material. Used in mass-market men's outerwear. Somewhat rigid texture.
- Pigskin Leather
The rough exterior surface makes it ill suited to many apparel uses, so recently pigskin leather has been widely used as an interior lining for suede.
- Sheepskin Leather
Covered with fine, soft fibers. Luxury-grade material.

7. Domestic Distribution System and Business Practices

(1) Domestic Market Conditions

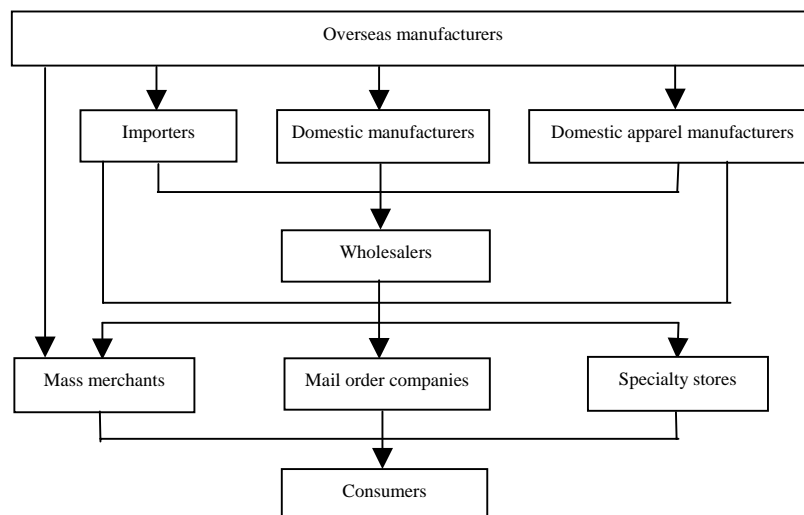
At one time leatherwear was thought of as strictly a luxury product, but as more and more young adults began buying leatherwear, the image changed into one of simply another form of fashionable attire. Trends in types of leather also were subject to changes in fashion, with a main leather material taking center stage almost every year. Men as well as women began buying leather outerwear, which had previously been regarded as feminine attire. A number of other apparel makers began offering leather garments.

Now that leatherwear has become a routine part of consumers' wardrobes, in the future there may be more of an upscale trend in the industry. As the market changes and develops, Asian countries/regions will likely respond by working to elevate the quality of their tanning, sewing workmanship and styling, while European countries will tend to produce more leatherwear designed with Japanese body types in mind.

(2) Distribution Channels

Leather is a natural product that possesses certain problems for maintenance and storage, and leatherwear tends to be a seasonal product. Thus, in the past leatherwear was usually distributed in a fairly straightforward manner through specialty outlets. In recent years, however, the leatherwear rage among young adults has attracted a number of other apparel makers into the field. There was a dramatic increase in "development imports" of low-priced merchandise in China and the Republic of Korea. In addition, importers began selling leatherwear direct to supermarkets and other large retail stores. This trend greatly intensified price competition in the retail market.

Fig. 5 Leatherwear distribution channels



(3) Key Considerations for entering the Japanese Market

Any entity considering going into the leatherwear business must thoroughly understand the delicate nature of leather, must provide its customers with proper storage and cleaning information, and must offer complete after-sales service facilities.

8. After-Sales Service

Normally the retailer is responsible for repairs and other forms of after-sales service. As more and more consumers buy leatherwear from non-specialty outlets, industry observers have noted more problems and complaints stemming from a lack of consumer knowledge about leather material. In particular there have been a large number of complaints about discoloration after cleaning. Since proper leather cleaning demands specialized knowledge and techniques, it is preferable to have leather wear cleaned by a cleaner who specializes in leather.

Individuals who buy leatherwear while on trips abroad or who order leatherwear direct from other countries can contact the All Japan Leather Costume Association for more information on after-sales service needs.

9. Related Product Categories

- Fur skin (refer to the section of “II-1 Fur and Fur Products” in this guidebook for further information)

10. Direct Imports by Individuals

Except for items proscribed by the Washington Convention, there are no restrictions on imports by individuals. Individuals buying by mail order from abroad should check carefully regarding size and styling.

11. Related Organizations

- Japan Leather and Leather Goods Industries Association TEL: 03-3847-1451 <http://www.jlia.or.jp>
- All Japan Leather Costume Association TEL: 03-3871-6306