

# Japanese Market Information on Specified Products

## Natural Medicines

### 1. The Japanese Market

Compared with Western medicines, the efficacy of natural medicines is not immediate, although their effects are stable. Natural medicines also have little side effects. These reasons caused demand for natural medicines to increase sharply in the past. In recent years, however, the market for natural medicines has been shrinking. There are three reasons:

- (a) Prescriptions for Chinese natural medicines are difficult to obtain.
- (b) People are now aware that Chinese natural medicines can have side effects.
- (c) Government cuts on medical expenditures has shifted hospital demand to chemical medicines that provide quick results, leading to decline in natural medicines that require continuous use.

There is a sign today, however, that the drop in Chinese natural medicine demand will end.

The market for Chinese natural medicines, which at its peak stood at ¥140 billion, has fallen to about ¥100 billion. Chinese natural medicines account for about 2% of total medicine production, which surpasses ¥6 trillion a year. Including other types of natural medicines, natural medicine share still comes to below 5%.

About 80% of all natural medicinal materials distributed in Japan are used by pharmaceuticals or extracts manufacturers. The remaining 15-20% are sold in tablet, powder, liquid, or tincture form to end users by the Chinese-style medicinal compounds companies, Chinese-style medicine practitioners, pharmacies, and drug stores.

Chinese-style medicinal compounds companies buy from trading companies that specialize in natural medicines, from general trading houses, or sometimes directly from producers in other countries. It takes many years of experience in the business, however, to judge correctly and accurately the quality of natural medicinal materials. This makes it unprofitable for the major general trading houses to deal in natural medicines unless the transaction involves a very large volume or a very large sum of money.

#### (1) Import Considerations

When doing business with a new business partner in another country, importers must be on the lookout for possible problems caused by different perceptions of product quality as well as by inexperience with international trading practices. Natural medicines are primary industry products that come mostly from developing countries. Accordingly, it is important to do business under contract.

#### (2) Procedural Considerations

In practice, it is impossible for an individual to import and market large quantities of natural medicinal materials. Hypothetically, it is possible for an individual to satisfy all the facility, storage, and specialized personnel requirements of the Pharmaceutical Affairs Law and obtain a license to import natural medicines. However, individuals should consider the matter over very carefully before undertaking to do so.

### 2. Imports

#### (1) Recent Developments

Almost none of the natural medicines (including some spices, extracts, smoking agents, dye ingredients, gums, and resins) can be produced domestically in their entirety. There are many items for which Japan relies completely on China.

After sharp growth for many years, the market for Chinese natural medicines has begun to shrink, bringing down with it imports of natural medicines.

#### (2) Countries of Origin

China is the leading exporter of natural medicines to Japan, but natural medicines come from many other countries as well, including Hong Kong, the Republic of Korea, the People's Democratic Republic of Korea, Thailand, Indonesia, Russia, Afghanistan, Pakistan, India, Germany, France, Spain, Hungary, Brazil, Argentina, and Australia.

Imports from China and other countries and regions in East Asia account for about 75% of total imports both on a value and volume basis. Japan imports 85-90% of its supply of Japanese-style medicines, which are used as raw materials to produce a variety of Chinese-style medicinal compounds.

In the past, there have been two routes for the importation of Chinese natural medicines. They were the China-to-Japan route and the China-Hong Kong-Japan route. This classification has since lost meaning with the progress of Chinese economic reform. The Guangzhou Trade Fair still plays a role in the importation of Chinese natural medicines as a forum for gathering information, but the significance of the fair has declined substantially. Today, there is no difference between business with China and business with other countries.

#### (3) Share Accounted for by Imports

It is impossible to obtain precise import values and volumes from MOF customs clearance statistics. For this reason, the share accounted for by imports is unclear. According to the "Annual Report for Pharmaceutical Preparations in Japan," imports accounted for 27% of the total supply of natural medicines and 4.3% of prepared Chinese medicines in 1997.

### 3. Laws and Regulations

The Pharmaceutical Affairs Law regulates the import, distribution, and sale of natural medicines. In some cases, the

products are also subject to provisions of the Plant Protection Law and the Domestic Animal Infectious Diseases Control Law. Materials imported for use in ordinary food, health food, and nutritionally enhanced food are subject to provisions of the Food Sanitation Law and the Nutrition Improvement Law.

(1) Plant Protection Law

This law is designed to prevent harmful plants, insect pests, and microorganisms from spreading to Japan. Items restricted under this law must be submitted for inspection to the plant protection station at the port of entry.

(2) Pharmaceutical Affairs Law and Pharmaceutical Affairs Regulations

The import and sales of natural medicines falling under the category of pharmaceuticals according to the Pharmaceutical Affairs Law are subject to the provisions of this law. Products falling in this category include pharmaceutical ingredients and ingredients claiming medicinal benefits. When importing these products, it is necessary to obtain an import and sales license as well as a product-specific approval or license.

(3) Food Sanitation Law

Whether a particular imported natural medicinal material is a food or a pharmaceutical product cannot be determined from its ingredients alone. Natural medicinal materials may be imported for use as food provided that it is so stated and that no medicinal or health benefits are claimed. Materials that satisfy these conditions are subject to provisions of the Food Sanitation Law.

(4) Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES)

Natural medicines that fall under the provisions of CITES are classified into three categories, each with its level of restrictions and import requirements. Prospective importers are advised to consult the Endangered Species of Wild Fauna and Flora Administration Section, Import Division, International Trade Administration Bureau, Ministry of International Trade and Industry. Prospective importers must also obtain an export certificate issued by a management authority of the exporting country.

4. Taxes

(1) Customs Duties

Most natural medicines are duty free. For more information, contact the customs authorities.

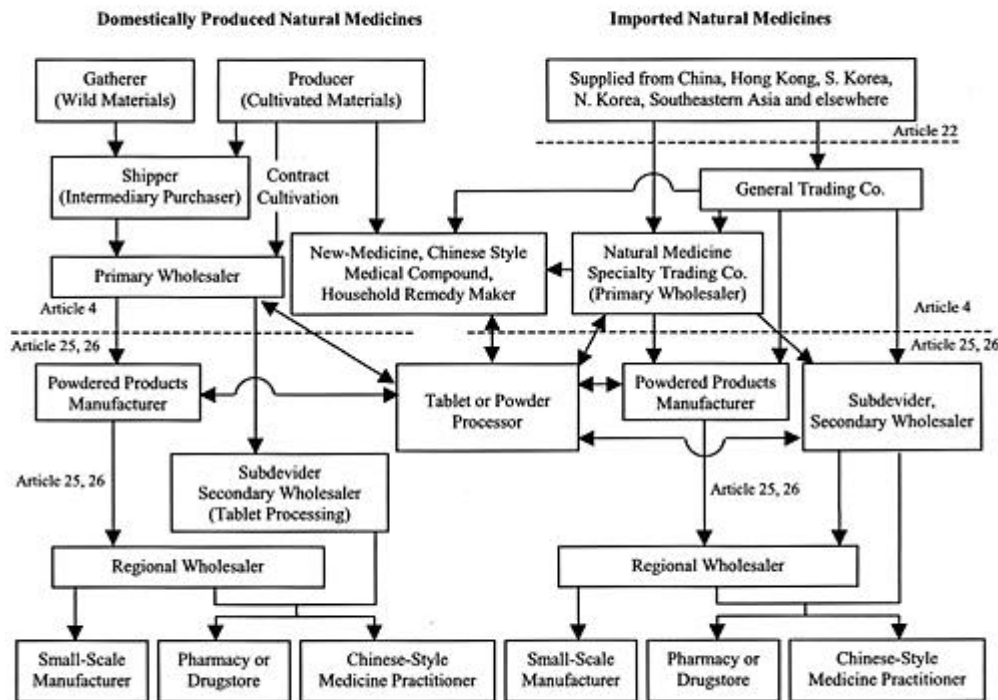
(2) Consumption Tax

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

5. Distribution

Years of systems operation and entrenched business practices mean that distribution channels have changed little over the years. The figure below illustrates the distribution setup for natural medicines.

**Distribution Channels for Natural Medicines**



Source: Natural Medicines in Japan, published 1989 by JETRO

6. Industry Contacts

---

Japan Natural Medicine Alliance (Nihon Shoyaku Rengokai)

TEL: +81-6-6202-7898

Japan Kampo-Medicine Manufacturers' Association

TEL: +81-3-3662-5757