QUALITY AND SUPERIOR SERVICE

Key mantras to penetrate JAPANESE MARKET

Japan is the fourth largest market for textile and apparel products with imports worth $35 billion. Over the last five years, Japan's total textile and apparel imports declined at a CAGR of -4% to reach $34.7 billion in 2016, while exports have reduced at a CAGR of -6% to reach $7.6 billion. Japan's total textile and apparel trade balance recorded a deficit of $ 27.1 billion in 2016.

Textile and Apparel Imports Profile

Apparel is the largest imported category by Japan, representing 76% of total textile and apparel imports (2016). This is followed by cotton textiles, man-made textile with a share of 10%, and 9% respectively. Top 10 suppliers accounted for 92% of textile and apparel imports by Japan. China is the largest supplier accounting for 62% share followed by Vietnam and Indonesia with a share of 11% and 4% respectively.

India's Textile and Apparel Exports to Japan

India is the tenth largest supplier of textile and apparel products to Japan. India's exports of T&A to Japan stood at $373 million in 2016. It has registered de-growth at a CAGR of -2% over last five years. India's share has remained almost constant at 1% from 2012 to 2016. Despite having market access arrangement with Japan, India has not been able to leverage its benefits.

Apparel is the largest category with a share of 49% in India's T&A exports to Japan. This is followed by cotton textiles, man-made textiles and carpets having share of 28%, 7%, 6% respectively.

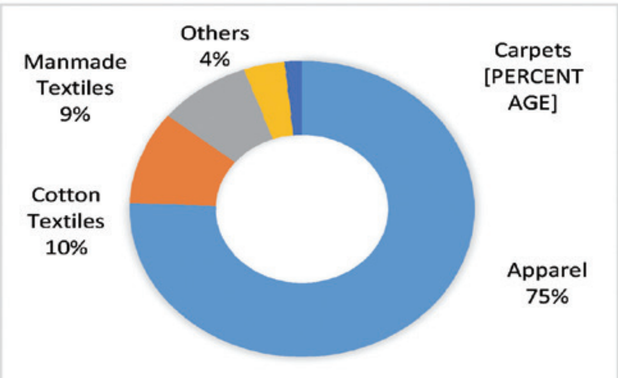
Table 1: Japan's Total T&A Trade (In US$ Bn.)

Year	Imports	Exports	Trade Balance
2012	41.5	9.6	-31.9
2013	41.0	8.6	-32.4
2014	38.7	8.4	-30.3
2015	35.4	7.8	-27.6
2016	34.7	7.6	-27.1
CAGR	-4%	-6%	-4%

Data Source: UN Comtrade

The Japanese textile manufacturing industry started shifting to other countries in 1980s due to the increase in wage cost in Japan. This led to the investment from Japan to the countries like China, Vietnam, Cambodia, Indonesia, etc. The reason for investment in these countries was low cost of production, expected market access arrangements and low shipment time. In addition, the cultural fit of these countries with Japan in terms of developing relationship

Figure 2: Top Suppliers of T&A to Japan (2016)



Data Source: UN Comtrade

Figure 2: Top Suppliers of T&A to Japan (2016)

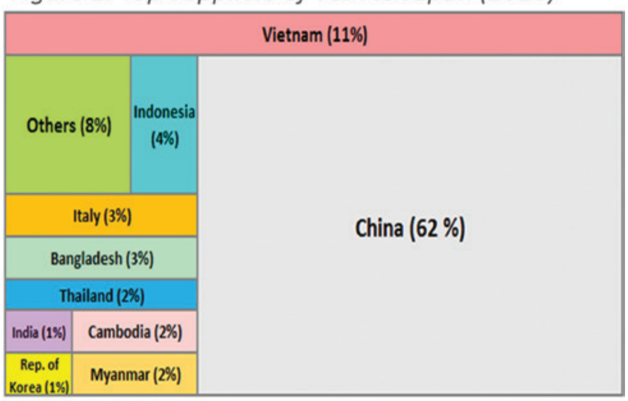


Table 2: Japan's Top 10 textile and apparel imported commodities (In US$ mn.)

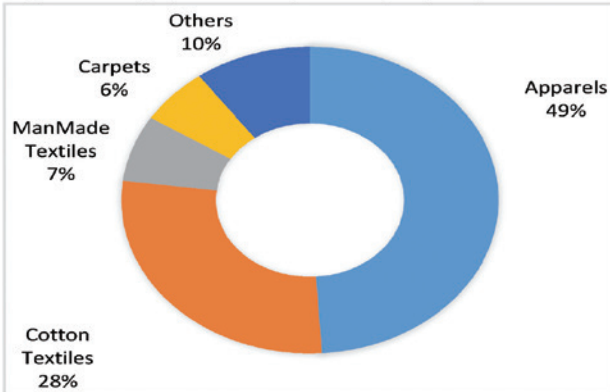
S.No.	Commodity	2014	2015	2016	CAGR
1	Knitted Sweaters, Pullovers, Vests etc.	4,942	4,579	4,324	-6%
2	Woven Women's Suits, Ensemble	3,429	3,256	3,290	-2%
3	Woven Men's Or Boys Suits, Ensembles etc.	2,769	2,583	2,549	-4%
4	Knitted T-Shirts, Singlets, Tank Tops etc.	2,201	2,022	2,133	-2%
5	Knitted Women's Or Girls Suits, Ensembleetc.	1,648	1,431	1,391	-8%
6	Woven Women's Overcoats etc.	1,560	1,390	1,243	-11%
7	Miscellaneous Made-Up Articles Of Textile Materials	1,240	1,216	1,214	-1%
8	Women's or girls' blouses, shirts and shirt-blouses.	1,167	1,044	1,087	-3%
9	Bed Linen, Table Linen Toilet Linen & Kitchen Linen	1,226	1,076	1,067	-7%
10	Track suits, ski suits and swimwear; other garments.	1,104	1,017	1,045	-3%

Data Source: UN Comtrade

Figure 3: India's Textile and Apparel Exports to Japan (US$ bn.)

Data Source: UN Comtrade

Figure 4: Category-wise T&A Exports to Japan (2016)



Data Source: UN Comtrade

Table 3: India's Potential categories of textile and apparel exports to Japan

Market Segment	Existing Products	New Products
Cotton Textiles	• Textile furnishing articles, woven • Single Yarn of combed/uncombed fibres	• Bed , toilet, and kitchen linen • Blankets (non-electric) and travelling rugs • Unbleached woven fabrics
Apparels	**Woven** • Women's blouses, shirts & shirt-blouses • Women's or girls' suits, jackets, blazers	**Woven** • Men's suits, jackets, blazers • Active-wear, swimwear • Men's shirts **Knitted** • T-shirts, Singlets & Shirts • Men's suits, jackets, blazers

and comfortable working environment for Japanese was an added advantage.

India has signed CEPA with Japan in 2010, still India's share in Japanese market is miniscule even after seven years of implementation of the agreement. It is important to note that, China is the biggest T&A supplier to Japan nevertheless it does not enjoy any preferential trade access. This is due to the fact that Japanese market is stringent in terms of product quality, compliances and delivery timelines. India is a supplier of the similar products to the world which are imported by Japan, but due to the demand of high-end products and timely delivery by Japan, India is not competitive in Japanese market. Competitors like Vietnam and Bangladesh known for their low-cost manufacturing, have captured more market share. Recently

India still has a high potential to increase its market share in Japan. For that,Indian exporters need to focus on high quality Indian garments and work on faster delivery schedules. Further, Japan's sourcing model is based on using buying agents and trading firms and not direct orders. Indian exporters need to familiarize themselves with different model as well. ◆