

5 Japan Denim Products Trade¹

OVERVIEW²

The Japanese denim industry plays an important role in the world denim arena. Though its development history is much shorter than that of the US, its focus upon product innovation and technological breakthrough make Japan one of the world important denim product manufacturers, featuring superior quality and high added value.

Japan entered domestic denim production in 1971 when Kaihara Textile Mills Ltd. began to supply denim made of rope-dyed yarn [1]. Today, Japanese denim production is concentrated upon three manufactures--Kaihara, Kurabo and Nisshinbo, which account for approximately 90% of Japan's total denim production [2].

The boom of one-washed jeans since 1972 pushed Japan-labeled quality denim into the world market, establishing Japan as one of the most important denim producers and traders in the world. By the end of 1977, denim exports from Japan reached 30 million square yards. It hit the record high of 70.6 million square meters in 1983 due to the very large demand for stretch denim [1].

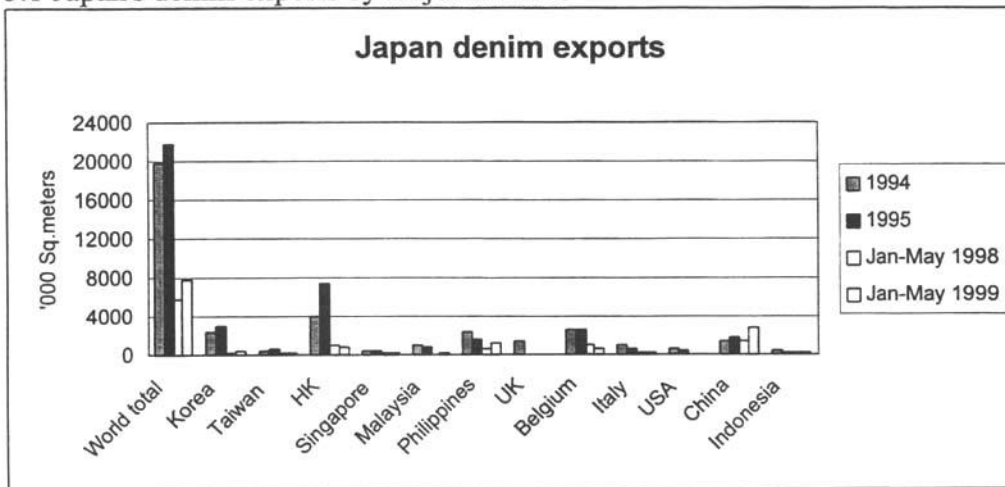
Figure 5.1 shows a different picture between the 1994-1995 period and 1998-1999 (Jan.-May.) period. Denim exports from Japan to the world amounted to US\$ 79.3 million in 1995 with 21.9 million square meters, up by 26.0% over 1994. HK was the most important destination, accounting for 33.6% of Japan's total denim exports in 1995. Korea and Belgium ranked second and third, holding 13.6% and 11.9% respectively. However, the ranking list underwent dramatic changes three years later. Exports to China³ showed a very strong growth, rising from 1.4 million square meters in 1994 to 2.7 million square meters during the first five months in 1999. China became the No. 1 importer with 34.2% of Japan's total denim exports, followed by the Philippines (14.3%), HK (10.8%), and Belgium (6.9%). From January to May, 1999, Japanese denim exports amounted to US\$ 25.5 million with 7.9 million square meters, up by 34.3% over the same period of 1998.

¹ Detailed and systematic denim-related import and export data about Japan are not available. Therefore, the following analysis is mainly based upon relevant information available in the US, EU and HK trade databases. Since data in these databases are computed with different denominations and approaches, it is difficult to unify them in an integrated picture. Consequently, the import and export analysis for the Japanese denim product trade is carried out individually for the US, EU and HK markets in order to get some in-depth understanding out of the partial picture.

² Data in this part are from various issues of JTN

³ In this section, "China" refers to the Chinese mainland.

5.1 Japan's denim exports by major markets



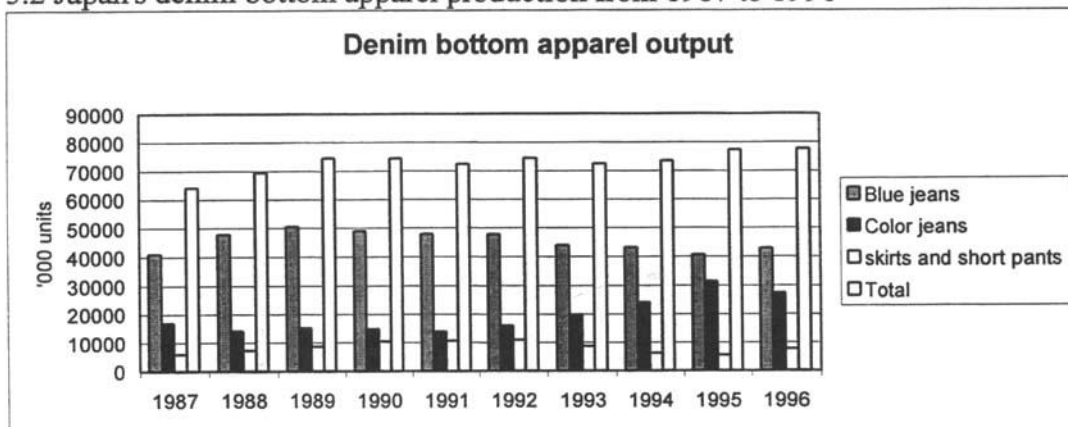
(Source: [3], [4])

The average export price per square meter was around US\$ 3.18 to US\$ 3.63 during the investigation period. Those destined to the US and Italy were priced higher at US\$ 5.68 and US\$ 4.06 per square meter while those exported to Malaysia and Indonesia were much lower at US\$ 1.60 and US\$ 2.40.

Japan started jeans production ten years earlier than its domestic denim production by using imported denim. The foreign entry of Wrangler and Levi Strauss in 1971 further sharpened the market competition [1]. Japanese jeans exports found their way into the world market around 1980 when the stone-washing technique was developed to a very high level by Japanese domestic manufacturers, reaching the peak in 1986. Then it dropped continuously, mainly due to the introduction of chemical washed jeans and the sharp appreciation of the Yen. Today, "Edwin" and "Big John" have become world famous brands, enjoying a high reputation for their quality and fashion style.

Jeans production focused on five enterprises: Edwin, Big John, Bobson, Wrangler Japan and Levi Strauss Japan. Figure 5.2 pictures the production of denim bottom apparel in Japan from 1987 to 1996. It shows that the overall production experienced an upward trend despite the irregular ups and downs during the ten years, increasing from 64 million units in 1987 to 77.8 million units in 1996. Colored jeans showed the strongest growth among the three items, increasing by 61.1% over 1987.

5.2 Japan's denim bottom apparel production from 1987 to 1996



(Source: [5], [3], [6])

5.1 IMPORTS

5.1.1 Denim products imports

5.1.1.1 Imports from the US

Japan imported more denim products from the US than it exported to the US. Therefore, it encountered large trade deficits during the investigation period despite its increasing export efforts. In 1997, the trade deficit was US\$ 20.4 million, down from US\$ 28.6 million in 1995.

Denim product imports from the US dropped continuously from 1993 to 1997, together with its share in the US denim product export market. In 1993, the total denim product imports from the US amounted to US\$ 48.9 million, or 8.2% of US total denim product exports. However, the value slumped to US\$ 20.5 million in 1997 with 2.4% of the market share. The average decreasing rate was 14.5% per year.

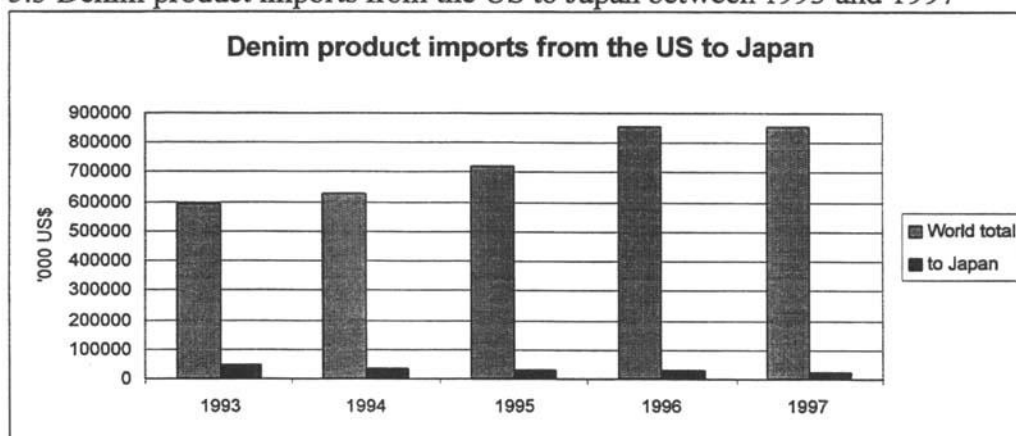
Among the total denim product imports from the US, denim fabric imports held a very small share. In 1996, it occupied 10.8%, which was the highest proportion during the five years. The ratio dropped to 5.6% in 1997.

5.1.1.2 Imports from the EU⁴

Japan enjoyed a favorable trade balance with the EU. In 1994, the trade balance between the two sides concerning denim products was 57.2 million Euro. Though exports from Japan to the EU dropped quickly during the next three years, the export value was still much bigger than the import value, with the balance reaching 21.7 million Euro in 1997.

According to Table 5.1, Japan was a relatively unimportant export destination for EU denim products, though the value increased by 51.9% from 1993 to 1997. Imports to Japan only accounted for 0.26% of the EU total denim product exports in 1997.

5.3 Denim product imports from the US to Japan between 1993 and 1997

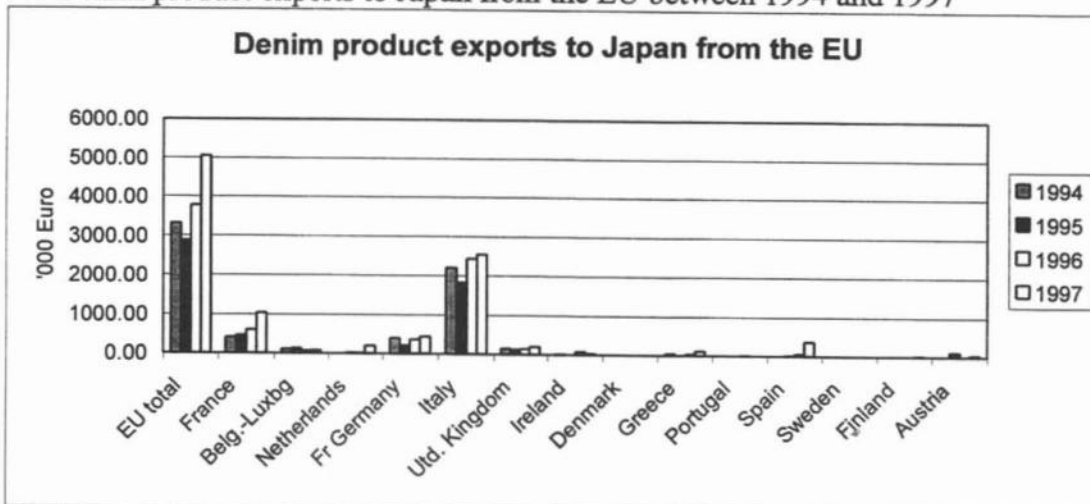


⁴ Since denim apparel in the EU database only refers to denim jeans, the denim product trade between Japan and the EU as well as China and the EU will only cover denim fabrics and denim jeans. However in order to unify the whole sector, it will still be titled "denim apparel" instead of "denim jeans".

Table 5.1 Denim product exports from the EU to Japan between 1994 and 1997

Denim product exports from EU to Japan				
	1994	1995	1996	1997
Total EU exports ('000 Euro)	1744332	1790603	2034903	1971950
To Japan ('000 Euro)	3325	2887	3780	5051
Exports to Japan / Total EU exports %	0.19	0.16	0.19	0.26
Fabric/Total denim product exports to Japan %	5.16	12.02	16.83	4.79

5.4 Denim product exports to Japan from the EU between 1994 and 1997



Similar to the imports from the US, denim fabric constituted only a small part of the total denim product imports from the EU. The highest ratio was registered in 1996 with 16.8% and then declined sharply to 4.8% in 1997.

Italy was the leading EU exporter to Japan, capturing 50.6% of total EU denim product exports to Japan. France and Germany ranked second and third with 20.6% and 8.8% respectively. Imports from Spain increased very rapidly in 1997, amounting to another 7.1%.

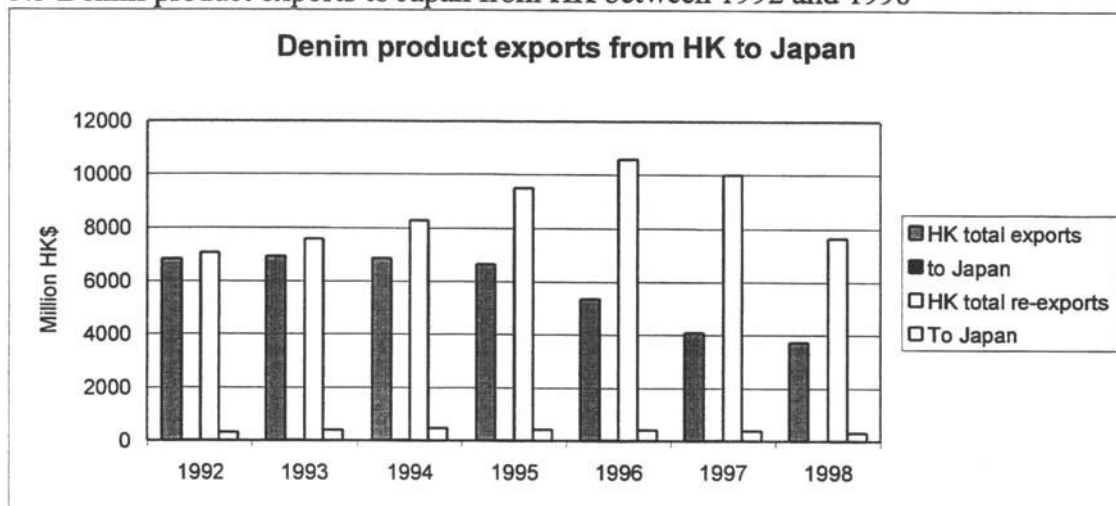
5.1.1.3 Imports from HK

Owing to HK's unique role in re-export activities, which constitute a large share in HK total trade, denim product trade between Japan and HK is actually composed of four parts: HK domestic exports to Japan, re-exports from third countries via HK to Japan, imports from Japan to the HK market and re-exports from Japan via HK to third countries. The former two constitute the total denim products entering Japan from HK while the latter two make up the total denim products exported from Japan. (See Fig 5.5)

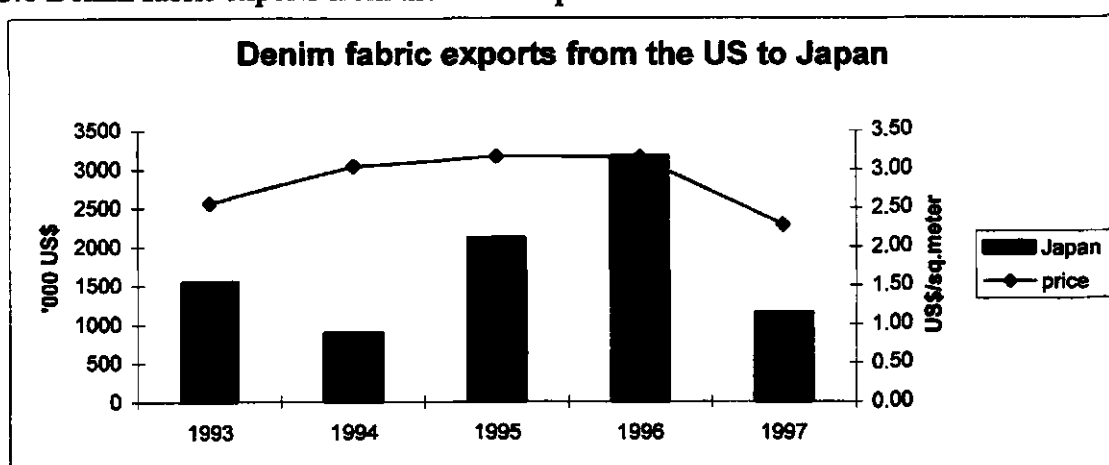
Direct imports from HK were very small in value, too small to be reflected in Figure 5.5. The value underwent a serious drop in 1998, down from HK\$ 10.4 million in 1997 to HK\$ 3.1 million in 1998. It held only 0.08% of HK total denim product domestic exports. Of the total denim products directly imported from HK, denim fabric imports took a small share, which was 16.7% in 1998.

As regards re-exports into Japan via HK, the value is much larger with HK\$ 317 million in 1998, accounting for 4.2% of HK total denim product re-exports. The ratio of denim fabric increased a little from 1.6% in 1992 to 4.4% in 1997.

5.5 Denim product exports to Japan from HK between 1992 and 1998



5.6 Denim fabric exports from the US to Japan between 1993 and 1997



5.1.2 Denim fabric imports

5.1.2.1 Imports from the US

In 1997, imports from the US amounted to US\$ 1.15 million, down from US\$ 1.55 million in 1993. The import level peaked in 1996 with US\$ 3.17 million, or 1.2% of US total denim fabric exports. However, the very sharp drop in 1997 made the market share shrink to 0.4%. (See Fig. 5.6)

The average import price from the US was US\$ 2.28 per square meter in 1997, lower than that of all the previous years.

5.1.2.2 Imports from the EU

Denim fabric imports from the EU were 145.8 thousand Euro in 1994, peaking in 1996 with a value of 636.2 thousand Euro and plunging to 242.2 thousand Euro in 1997. In 1997, EU denim fabrics sent to the Japanese market only captured 0.04% of the total EU denim fabric exports and 0.08% of those to non-EU destinations.

Among the individual EU suppliers, Italy took the largest share, which was 73.0% in 1997. Belgium ranked second with a market share of 24.8%. The top two suppliers were responsible for 97.8% of total EU denim fabric exports to Japan. Ireland once

supplied 75.0 thousand Euro worth of denim fabrics in 1996, or 11.8% of the total EU denim fabric imports into Japan. But there were no imports from Ireland in 1997. The average import price per square meter ranged between 6.84 Euro to 9.52 Euro. Generally speaking, imports from Greece and Portugal were lower than the average level while those from Italy and Germany were of high added value, reaching 12.4 and 13.7 Euro respectively in 1997.

5.1.2.3 Imports from HK

A. HK domestic exports to Japan

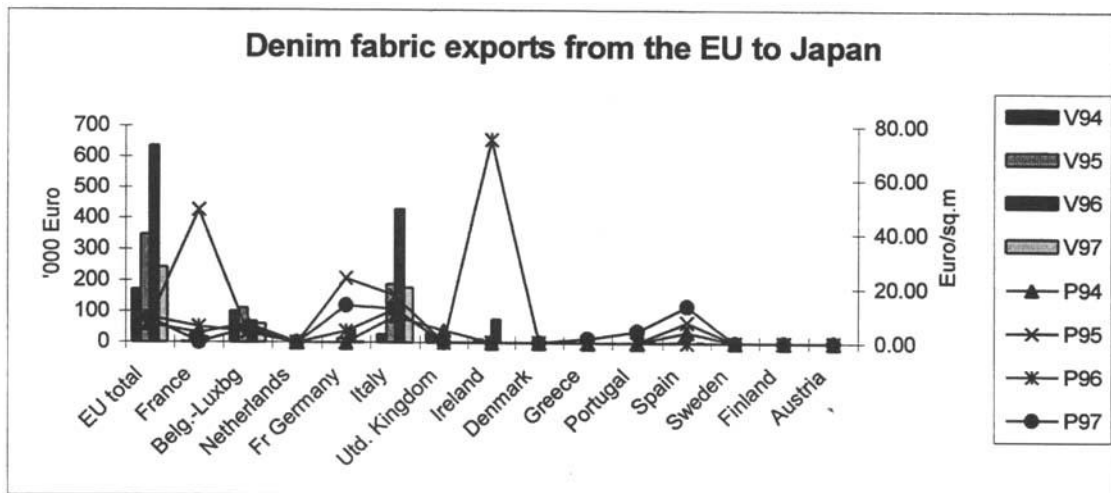
Denim fabric imports from HK hit a low in 1993 with a value of HK\$ 166 thousand. The year 1998 witnessed another slump from the peak level of HK\$ 3.4 million in 1997, decreasing by 85% to HK\$ 511 thousand. Japan was not the major destination for HK domestic denim fabric exports, only accounting for 0.15% in 1997 when the export value to Japan reached its peak.

The average import price was around HK\$ 20 per square meter in 1998, almost the same level as that in 1992. (See Fig. 5.8)

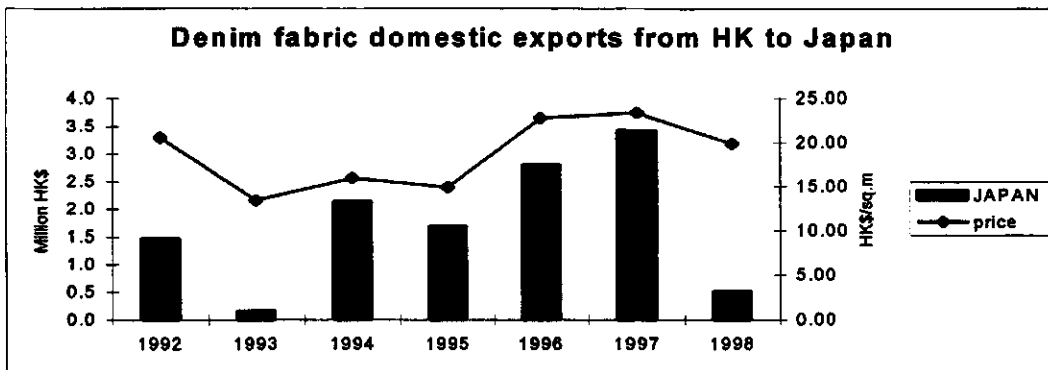
B. Re-exports through HK to Japan

Figure 5.9 shows that denim fabric re-exports via HK to Japan registered a record high in 1998, amounting to HK\$13.8 million. The growth momentum was especially

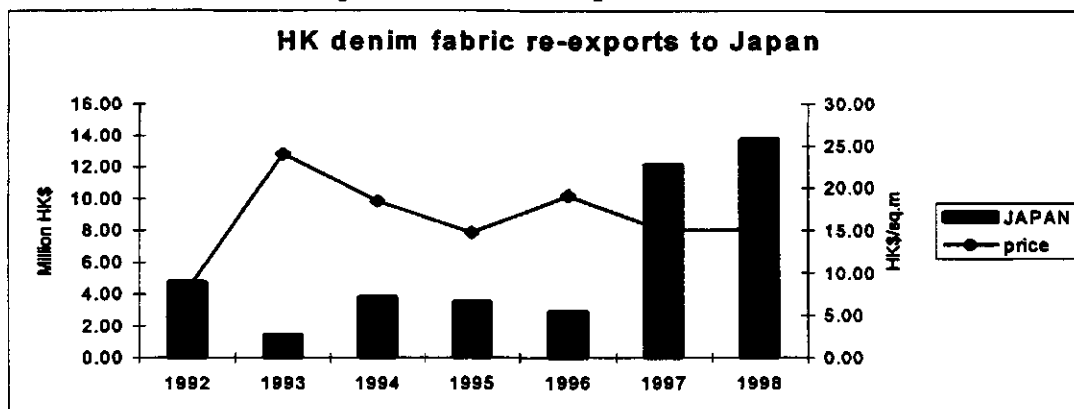
5.7 Denim fabric exports from the EU to Japan between 1994 and 1997



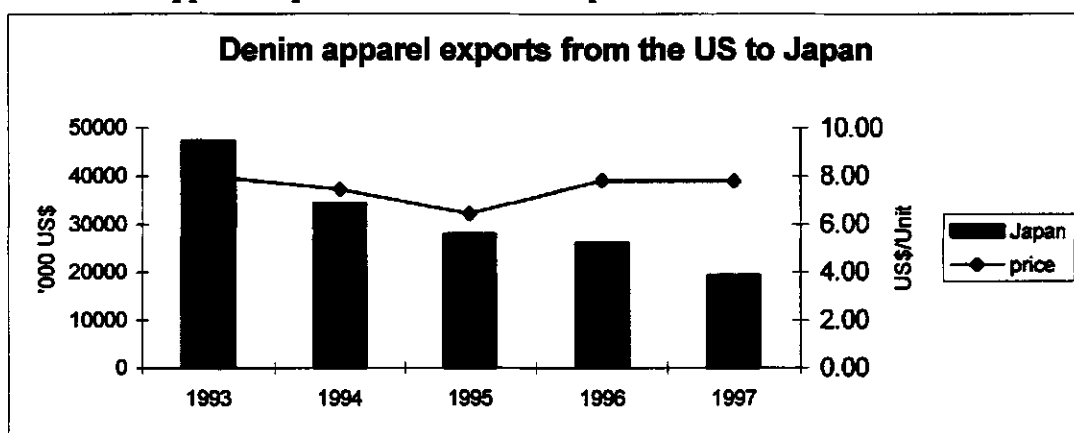
5.8 Denim fabric domestic exports from HK to Japan between 1992 and 1998



5.9 HK denim fabric re-exports from HK to Japan between 1992 and 1998



5.10 Denim apparel exports from the US to Japan between 1993 and 1997



strong between 1996 and 1997 at the rate of 419.5%. Compared with the direct imports figure, re-exports via HK to Japan were much larger, accounting for 96.4% of the total denim fabrics entering Japan from HK in 1997, regardless of the export origin.

The average re-export price for denim fabrics from third countries was HK\$ 15.2 per square meter in 1998, lower than the price for HK domestic exports. This may indicate that these denim fabrics were mainly from developing countries rather than developed countries such as Italy and France.

5.1.3 Denim apparel imports

5.1.3.1 Imports from the US

Denim apparel imports from the US have shown a very clear downward trend since 1993. In 1997, only US\$ 19.4 million worth of denim apparel was imported into Japan, plunging from US\$ 47.3 million in 1993. As a result, its share in the US denim apparel export market shrank considerably from 11.6% to 3.4% in the investigation period. The average import price for US denim apparel was US\$ 7.8 per unit or US\$ 93.5/dozen in 1997.

5.1.3.2 Imports from the EU

EU jeans exports to Japan amounted to 4.8 million Euro in 1997, increasing by 52.5%

over 1994 at an annual average growth rate of 17.5%. Compared with the denim fabric imports from the EU, jeans imports to Japan took a relatively larger share of the EU export market. They accounted for 0.3% of the total EU jeans exports and 2.6% of those destined to Non-EU countries. (See Fig. 5.11)

Italy has been the leading supplier among the EU members since 1994. However, its importance in the Japanese jeans import market faced great challenges from other EU countries, such as France and Spain. In 1994, Italy captured more than two thirds of the total EU jeans imports into Japan but it slumped to 49.4% in 1997. By sharp contrast, France increased its share from 13.0% in 1994 to 21.6% in 1997 and at the same time, Spain emerged as the No. 4 supplier with a market share of 7.5%. Germany, Netherlands and the United Kingdom held another 9.2%, 4.2% and 4.2% respectively in 1997.

The average import price from the EU was 32.3 Euro/Unit in 1997. As for the denim fabric imports from the EU, jeans from Greece, Portugal and Spain were sold at lower prices, ranging from 14.8 to 22.7 Euro/Unit while those from Germany and Italy were priced higher, reaching 40.5 and 43.7 Euro/Unit respectively.

5.1.3.3 Imports from HK

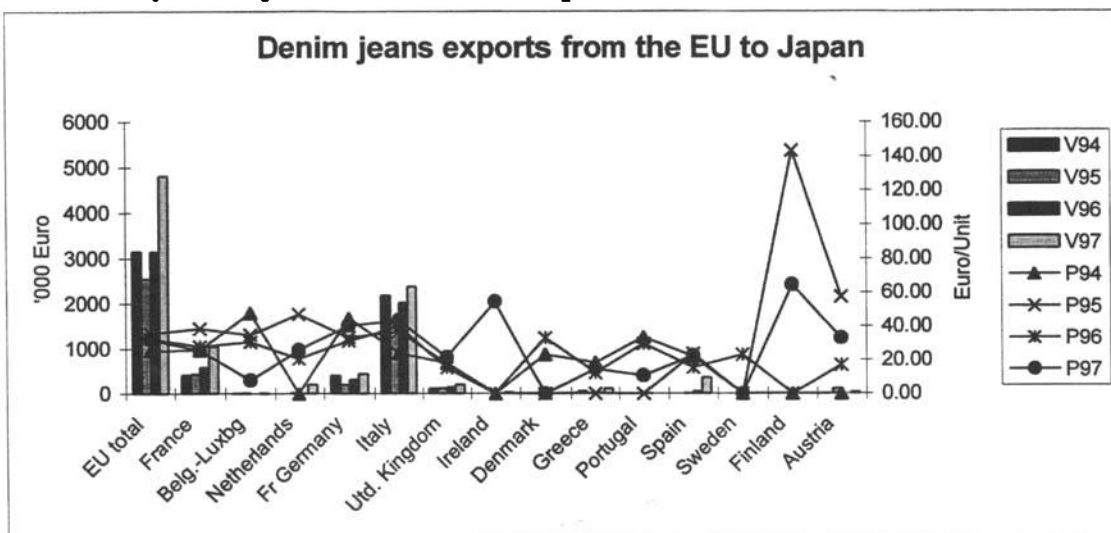
A. HK domestic exports to Japan

Direct denim apparel imports from HK to Japan reached HK\$ 2.6 million in 1998, hitting a record low since 1992 when imports peaked with a value of HK\$ 10.6 million. As with denim fabric imports from HK, Japan played a trivial role in HK denim apparel domestic exports. In 1998, those exported to Japan from HK only accounted for 0.14%. The average import price was HK\$ 88.89 per unit in 1998, lower than the previous years' level. (See Fig. 5.12)

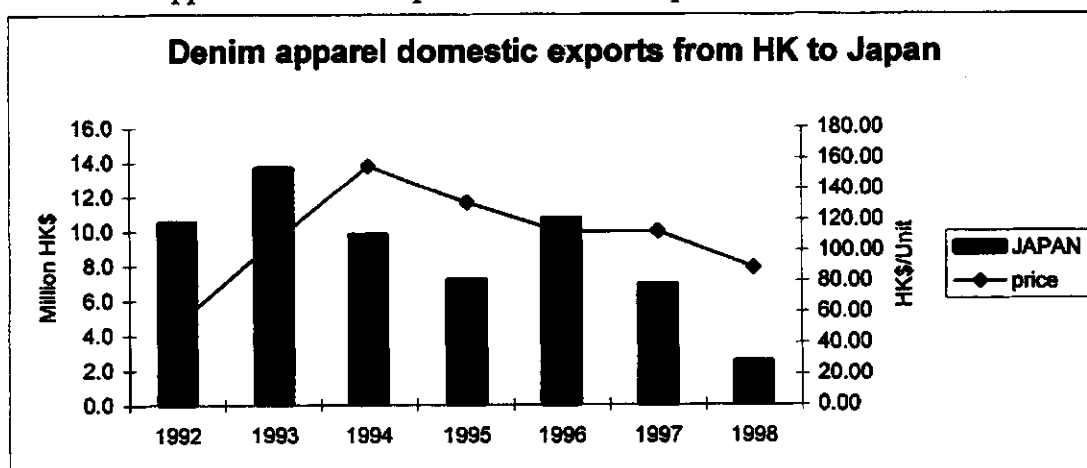
B. Re-exports through HK to Japan

Japan imported a lot of denim apparel from third countries via HK, though the value was continuously down since 1994. In 1998, the import value through this

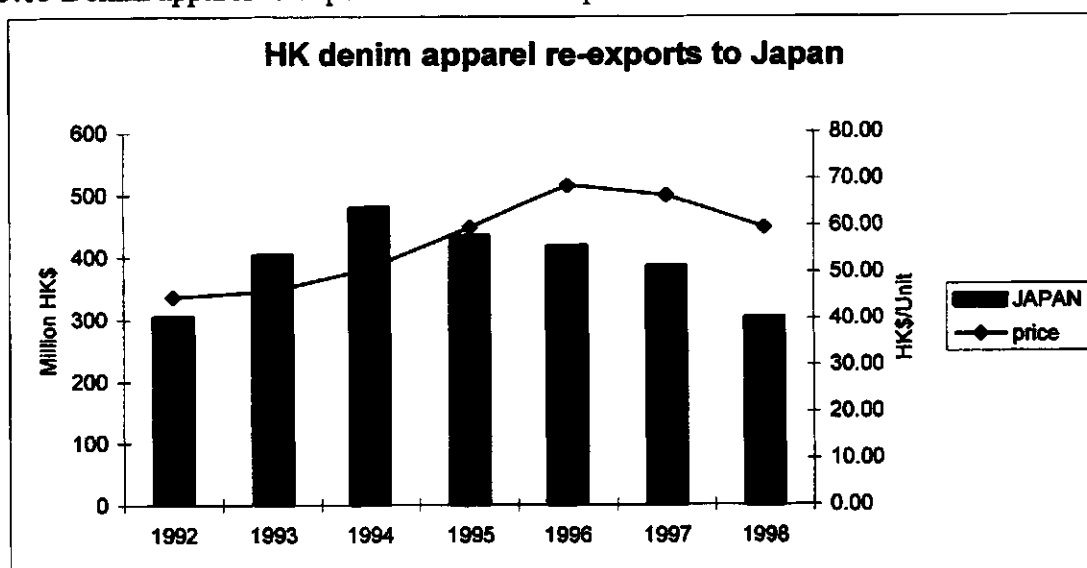
5.11 Denim jeans exports from the EU to Japan between 1994 and 1997



5.12 Denim apparel domestic exports from HK to Japan between 1992 and 1998



5.13 Denim apparel re-exports from HK to Japan between 1992 and 1998



approach was HK\$ 303.2 million, accounting for 99.2% of total denim apparel entry into Japan from HK. Such an import pattern, both for denim fabric and denim apparel, clearly indicates that HK acts more as an important intermediate between Japan and other countries than as a direct supplier to the Japanese market. (See Fig. 5.13)

The average import prices for these re-exports were lower than those for direct imports from HK, ranging from HK\$ 44.8 to HK\$68.6 per unit. In 1998, the figure was HK\$ 59.6.

5.2 EXPORTS

5.2.1 Denim products exports

5.2.1.1 Exports to the US

Exports from Japan to the US were insignificant in the US denim product import market, with a market share of less than 0.1%. Despite the increasing trend of overall

US denim product imports, those from Japan experienced a very serious drop. The 1997 level was only 6.1% of the 1995 level.

In 1995, almost all the exports from Japan were composed of denim apparel. Two years later, denim fabric exports increased their share to 2.2%.

5.2.1.2 Exports to the EU

As mentioned earlier, Japan exported more denim products to the EU than it imported from the EU. By contrast to the increasing trend in the EU import market, those from Japan fell tremendously in 1995 and the year 1997 registered a record low of 26.8 million Euro. Consequently, the market share of Japanese denim product exports shrank from 2.5% in 1994 to 1.0% in 1997.

Denim fabric exports remained a relatively small share. It was 15.5% in 1997, a bit lower than that in 1994.

Among the EU importers, Germany was the most important destination for Japan denim products, followed by Italy, Netherlands and Belgium. These four accounted for 98.3% of total Japan imports into the EU market in 1997, among which Germany held 77.5%, Italy 8.9%, Netherlands 8.0% and Belgium 3.9%. One point worth mentioning is that the United Kingdom has sharply reduced its imports from Japan since 1995 and its market share dropped from 8.8% in 1994 to a mere 0.56% in 1997.

Table 5.2 Denim product exports from Japan to the US between 1995 and 1997

Denim product exports from Japan to the US			
	<u>1995</u>	<u>1996</u>	<u>1997</u>
Total US imports ('000 US\$)	1604967	1853674	2003791
From Japan ('000 US\$)	1518	921	93
Imports from Japan / Total US imports %	0.095	0.050	0.005
Fabric/Total Japan imports %	0.00	1.30	2.15

Table 5.3 Denim product exports from Japan to the EU between 1994 and 1997

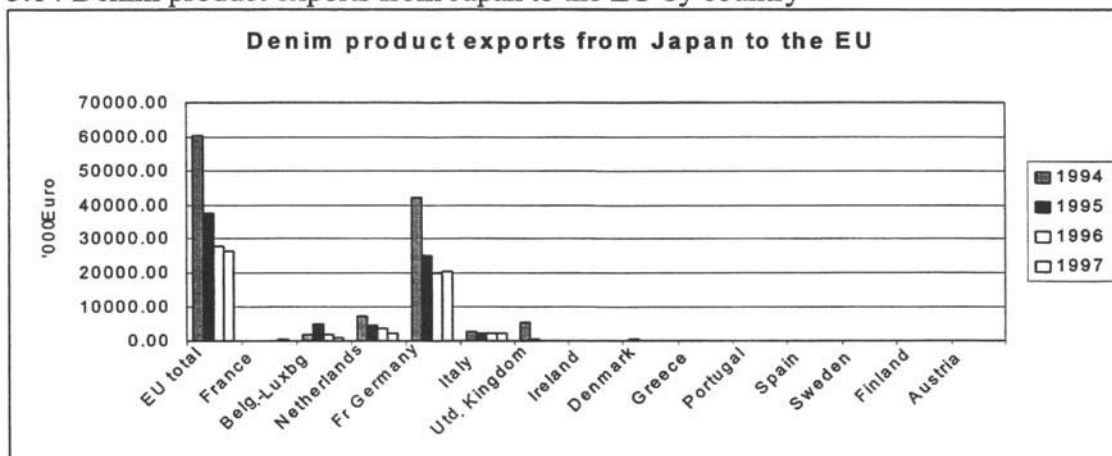
Denim product exports from Japan to EU				
	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>
Total EU imports ('000 Euro)	2452161	2357517	2771175	2648607
From Japan ('000 Euro)	60503	37447	28019	26750
Imports from Japan / Total EU imports %	2.47	1.59	1.01	1.01
Fabric/Total denim product imports from Japan %	16.96	20.59	16.25	15.51

5.2.1.3 Exports to HK

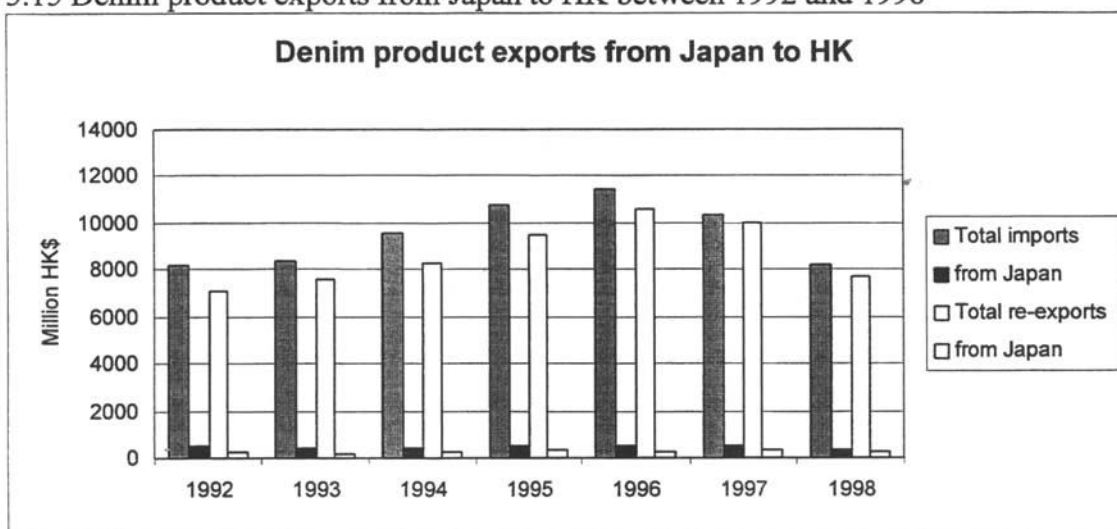
Exports from Japan to HK, regardless of their final destinations, had some weight in both HK import and re-export markets. Exports to the HK domestic market dropped from HK\$ 514.5 million in 1992 to HK\$ 377.8 million in 1998, capturing 4.6% of HK total denim product imports. At the same time, those to third markets via HK increased a little from HK\$ 232.0 million to HK\$ 298.2 million, holding 3.9% of HK total denim product re-exports.

There is one point in common between Japanese exports to HK and to third countries via HK, that is, denim fabrics dominated the export product mix throughout the investigation period. Take the year 1998 for example: Japanese denim fabric exports to the HK domestic market accounted for over 99% of Japan's total denim

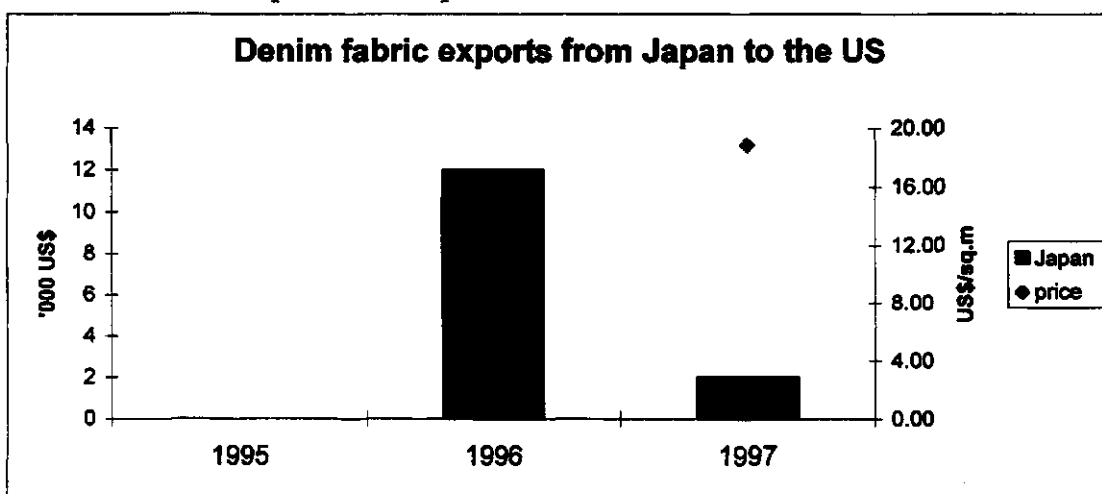
5.14 Denim product exports from Japan to the EU by country



5.15 Denim product exports from Japan to HK between 1992 and 1998



5.16 Denim fabric exports from Japan to the US between 1995 and 1997



product exports to HK and those to the third countries via HK also held about 98.8% of Japan's total denim product re-exports to HK.

5.2.2 Denim fabric exports

5.2.2.1 Exports to the US

Denim fabric exports to the US were insignificant. During the investigation period from 1995 to 1998, there were only US\$ 14 thousand worth of denim fabric exports in total, zero for 1995, US\$ 12 thousand for 1996 and US\$ 2 thousand for 1997. (See Fig. 5.16)

Despite the small volume, the average export price was high, reaching US\$ 18.9 per square meter in 1997. This indicates that Japan domestic production is now focusing more upon high value added items.

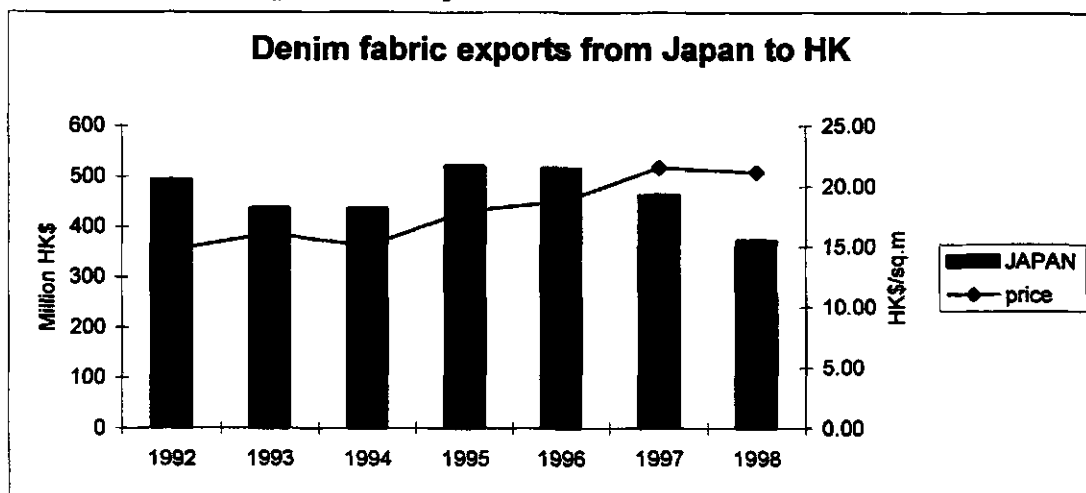
5.2.2.2 Exports to the EU

Denim fabric exports to the EU experienced sharp decline during the investigation period, plunging from 10.3 million Euro in 1994 to 4.15 million Euro in 1997. The average decrease per year hit 20%. As a result, Japan held only 0.9% of the EU total denim fabric imports in 1997, down from 2.1% in 1994. As regards the total EU denim fabric imports from non-EU countries, Japan's market share also fell from 4.9% in 1994 to 1.9% in 1997.

5.17 Denim fabric exports from Japan to the EU between 1994 and 1997



5.18 Denim fabric exports from Japan to HK between 1992 and 1998



The United Kingdom was once the most important EU importer, in 1994 absorbing over a half of Japan's denim fabric exports into the EU market. However, its import value from Japan slumped to 79.7 thousand Euro in 1997, only accounting for 1.9% of the market share. Belgium replaced the UK as the leading importer in 1995, taking 63.7% of the market share, but it was overtaken by Italy one year later. In 1997, Italy imported 2.4 million Euro worth of Japanese denim fabrics, holding 57.1% of the market share. It was followed by Belgium (24.9%), Germany (9.4%) and France (5.2%).

The average export price was around 3.2 Euro to 4.7 Euro per square meter. Exports to France fetched the highest price, reaching 9.1 Euro per square meter in 1997. A point worth mentioning is that exports to Greece in 1996 and to Spain in 1997 were sold above the average level, topping 5.1 and 7.2 Euro per square meter respectively.

5.2.2.3 Exports to HK

A. Exports to the HK domestic market

Japan supplied HK\$ 671.5 million worth of denim fabrics to HK in 1998, of which 44.4% was further directed towards other third countries.

Japanese denim fabric exports to HK were of some importance to the HK import market. In 1998, the export value reached HK\$ 373.3 million, i.e. about 6.6% of HK's total denim fabric imports. The export value fluctuated from 1992 to 1998, showing a downward trend since 1995. (See Fig. 5.18)

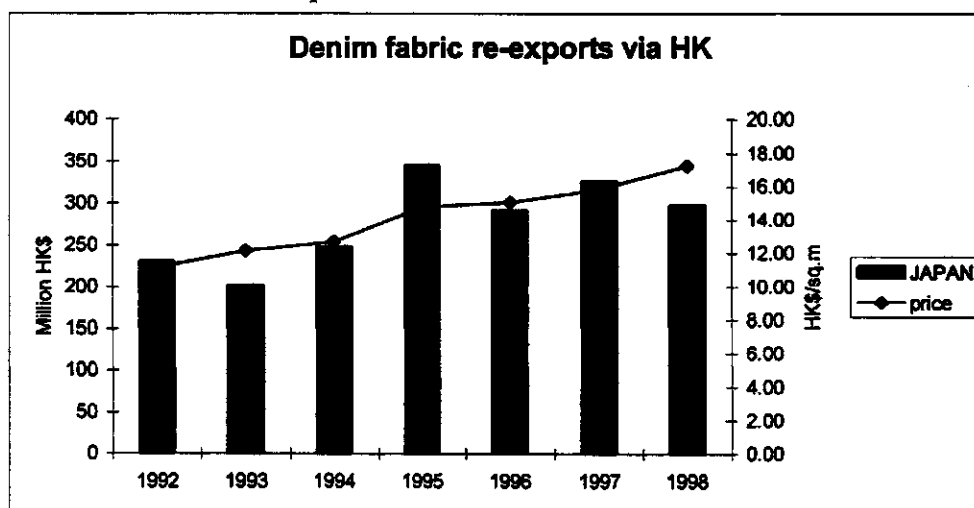
The average export price was about HK\$ 21.2 per square meter in 1998, demonstrating an upward trend from HK\$ 14.8 per square meter in 1992.

B. Re-exports to third countries through HK

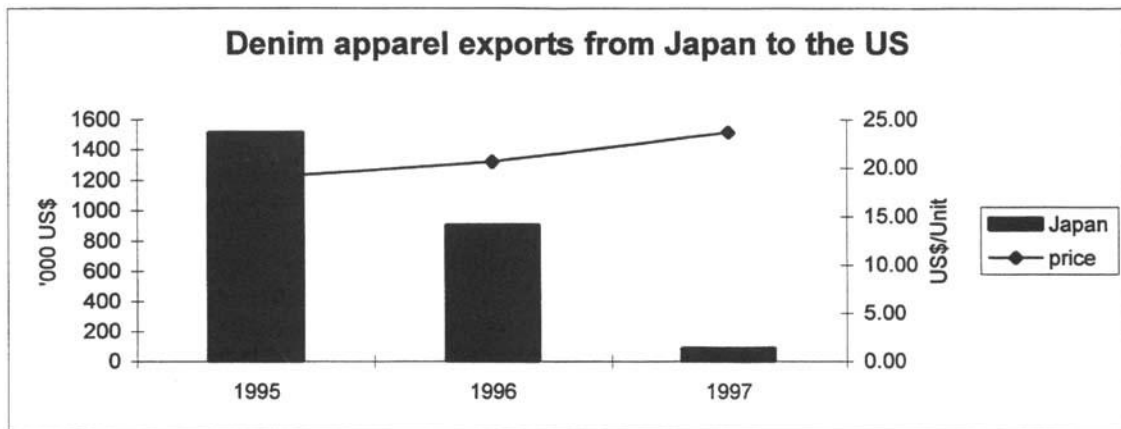
Re-exports from Japan to other destinations via HK amounted to HK\$ 298.2 million in 1998, rising by 29.2% over 1992. It reached the peak in 1995 with a value of HK\$ 345.6 million. Its development pattern during the eight years corresponded with that of direct exports to HK. (See Fig. 5.19)

The re-export price was up from HK\$ 11.2 per square meter in 1992 to HK\$ 17.2 per square meter in 1998.

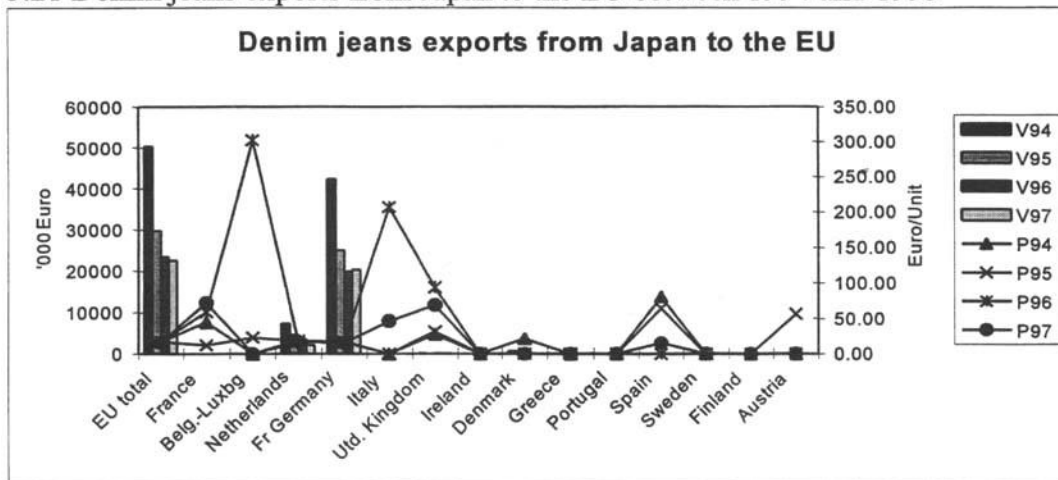
5.19 Denim fabric re-exports to third countries via HK between 1992 and 1998



5.20 Denim apparel exports to the US from Japan between 1995 and 1997



5.21 Denim jeans exports from Japan to the EU between 1994 and 1995



5.2.3 Denim apparel exports

5.2.3.1 Exports to the US

Japanese denim apparel exports to the US had a poor performance in 1997, down from US\$ 1.5 million in 1995 to US\$ 91 thousand in 1997. The average decrease was 31.3% per year. The average export price topped US\$ 23.7 per unit in 1997, up by US\$ 4.7 over 1995. (See Fig. 5.20)

5.2.3.2 Exports to the EU

Jeans exports to the EU from Japan underwent the same experiences as Japanese denim fabric exports from 1994 to 1997. The value slumped suddenly from 50.24 million Euro in 1994 to 29.7 million Euro in 1995 and went on decreasing to 22.6 million Euro in 1997. Japan's market share in the total EU jeans imports declined from 2.1% in 1994 to 0.8% in 1997. Of the total EU jeans imported from non-EU suppliers, the share of Japan dropped from 4.5% to 1.7%.

Japanese jeans exports to the EU were highly concentrated. The top two importers together absorbed 99.5% of the total. Germany has been the most important EU importer since 1994, though its import value plunged significantly during the four-

year period. It accounted for 90% of the total Japan jeans exports to the EU market. Netherlands ranked second with 9.5%. (See Fig. 5.21)

The average export price was around 16.1 Euro/Unit in 1997. Though France, Italy and the UK imported a very small volume compared with the top two importers, their import prices were much higher than the average level--72 Euro/Unit for France, 46.5 Euro/Unit for Italy and 68.7 Euro/Unit for the United Kingdom. Those to Netherlands and Germany were sold at the average level.

5.2.3.3 Exports to HK

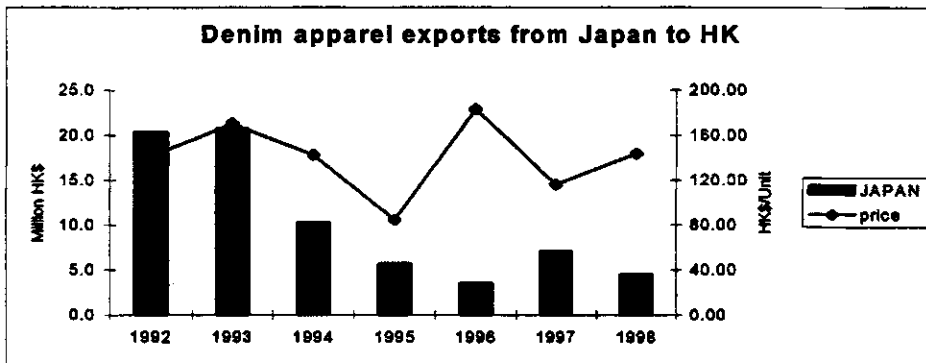
A. Exports to the HK market

Japan supplied HK\$ 4.5 million worth of denim apparel to HK in 1998, among which 99.8% was headed directly to the HK domestic market. Compared with the re-exports situation mentioned in previous sectors, direct exports here played an overwhelming role.

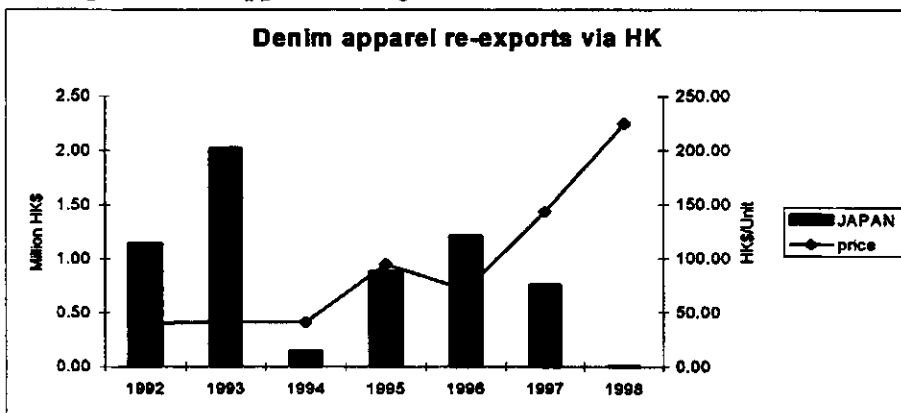
Denim apparel exports to HK plunged heavily in 1994 by about 50% and slumped to HK\$ 3.6 million in 1996. Though it almost doubled in 1997, it fell to HK\$ 4.5 million in the following year. Japan's denim apparel exports occupied a very small share in HK total denim apparel imports, only 0.17% in 1998. (See Fig. 5.22)

The average export price was HK\$ 143.7 per unit in 1998, higher than that from HK. (See Fig. 5.22)

5.22 Denim apparel exports from Japan to HK between 1992 and 1998



5.23 Japan denim apparel re-exports via HK between 1992 and 1998



B. Re-exports to third countries through HK

Re-exports to third countries via HK slumped from 1992 to 1998, dropping from HK\$ 1.1 million to HK\$ 11 thousand. Japan's share of HK total denim apparel re-exports was negligible. However, the re-export price underwent a sharp increase from HK\$ 40.3 per unit in 1992 to HK\$ 224.9 per unit in 1998. This was much higher than that of those exported to the HK market. (See Fig. 5.23)

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