

ALCOHOLIC BEVERAGES IN JAPAN

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List of Acronyms and Abbreviations

3R	Reduce, Reuse, Recycle
CIF	Cost, Insurance and Freight
EBC	European Business Council
EU	European Union
FTA	Free Trade Agreement
GI	Geographical Indicators
GM	Genetically Modified
JAS	Japanese Agriculture Standard
JETRO	Japan External Trade Organization
MAFF	Ministry of Agriculture, Forestry and Fisheries
METI	Ministry of Economy, Trade and Industry
MHLW	Ministry of Health, Labour and Welfare
MOF	Ministry of Finance
MRL	Maximum Residue Limit
MSW	Municipal Solid Waste
NTA	National Tax Agency
NTB	Non-Tariff Barriers
WTO	World Trade Organization

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1. Executive Summary

Regulations, Legislation, Import Procedures and Related Issues

➤ Regulations and Legislation

• Food Sanitation Act

Under the Food Sanitation Act the sales of products that contain harmful or toxic substances are prohibited. The 'Standards and Criteria for Food and Additives' issued under the Food Sanitation Act, and the 'Standards for Pesticide Residues' specify the types and details of the raw ingredients as well as the tests to determine the types and contents of additives, pesticide residues, mycotoxins, etc.

• Liquor Tax Act

Alcoholic beverages are defined as beverages containing no less than 1% alcohol and they are divided into four categories and 17 items. The four alcoholic beverage categories are effervescent alcoholic beverages, brewed alcoholic beverages, distilled alcoholic beverages and mixed alcoholic beverages. A different rates of taxation is applied to each type of alcoholic beverage. Under the law, wholesaling of alcoholic beverages is operated in a licensing system. Alcoholic beverages can be imported independently if they are intended to be offered for drinking within the applicant's place of business (such as a bar, restaurant, etc.).

• Customs Tariff Act : Customs Act

The Customs Tariff Act prohibits the import of knock-off brands, counterfeit goods, cargo with labeling that falsifies the origin of the contents, etc.

• Liquor Business Association Act (Act on Securing of Liquor Tax and on Liquor Business Associations)

The objective of this law is to enable businesses that sell alcoholic beverages to set up associations to support the preservation of the liquor tax and to conduct programs to enhance their collective benefit.

• Pharmaceutical Affairs Act

To prevent confusion between general alcoholic beverages and medicinal liquors, it is prohibited to label or advertise a general alcoholic beverage misleadingly as having the effects of a pharmaceutical product.

• Product Liability Act

As a processed product, alcoholic beverages are subject to the Product Liability Act, and care should be taken with regard to the safety management of the content, containers, and packaging. The Product Liability Act stipulates the liability of manufacturers, etc. for damages to consumers. Importers are included in the category of manufacturers.

• Act on Specified Commercial Transactions

Selling 'specified products, rights, or services' to general consumers through 'specified commercial transaction' are subject to the provisions of the Act. The Act also prohibits advertising containing false or exaggerated statements.

- **Act on the Promotion of Sorted Garbage Collection and Recycling of Containers and Packaging (Containers and Packaging Recycling Law)**

The law provides for a collection and recycling system in which municipalities take charge of collecting sorted containers and packaging and businesses take charge of recycling such collected containers and packaging. Under this act, importers, etc. that sell contents using containers and packaging shall be liable for recycling. However, small-scale enterprises below a certain size are excluded.

- **Minor Drinking Prohibition Act**

The Minor Drinking Prohibition Act bans the intake of alcoholic beverages by minors (persons less than 20 years), and provides for the punishment of those that sell to minors or offer them.

- **Import Procedures**

Alcoholic beverage cargo arriving in Japan will be stored in the bonded area. Besides standard import declaration documents and payment of the necessary duties and taxes, the cargo will be inspected to make sure it complies with the Food Sanitation Law. The first step in this procedure is to submit the 'Notification Form for Importation of Food etc' document to the quarantine station. When the document examination and cargo inspection have found that the cargo is in compliance with the law, a "Certificate of Notification" will be given to the importer. When the document examination brings suspicion that the cargo is not in compliance with the law, the cargo will be inspected. If the cargo, after inspection, has been judged not to comply with the law, the cargo will be returned to shipper or destroyed. Simplified systems of import notification, to simplify and speed up the import procedures, are also available.

- **The EU-Japan Free Trade Agreement Negotiations**

Despite many efforts from both the EU, EU national governments and Japan, the trade volume between the EU and Japan is decreasing in size. At just over 100 billion euro, it is smaller than that with Turkey. The EU-Japan FTA negotiations were officially launched on 25 March 2013. The target is to conclude a mutually beneficial trade agreement that will lead to economic growth both in the EU and Japan. During the negotiations EU concerns, including non-tariff barriers (NTBs) and access to public procurement, are being addressed. The middle way lies in erasing the unnecessary differences in standards, legalisation and systems, erasing tariffs, tackle NTBs and open the public procurement market. The food, drink and agriculture products sector, where tariffs are still relatively high, are a potential interesting sector.

Labeling and Packaging

Labeling of alcoholic beverages must be done in Japanese and be conform to several laws and regulations. It is the importer who is responsible for the proper labeling and the following information must possibly be provided on the label: Product Name, Ingredients, Additives, Alcoholic Percentage, Content Weight, Expiration Date, Storage and Preservation Method, Country of Origin, Importer, Allergies, Nutrition Facts, Recombinant Foods (GM Foods), Organic Labeling and Product Descriptions.

The Japan Wines and Spirits Importers' Association has published a 'Self-Regulatory Code of Marketing & Advertising Practices and Container Labeling for Alcoholic Beverages' paper, to provide guidelines towards the social responsibilities born by manufacturers and distributors of alcoholic beverages.

The 'Law for Promotion of Effective Utilization of Resources', which was put into force in 2001, promotes the reduction of waste, reuse of parts, and recycling of used products as raw materials. For alcoholic beverages this means that the containers and packaging need to be labeled appropriately in order to facilitate sorted waste collection.

Tariffs and Taxes

Tariff duties are assessed on the CIF value or specific rates, and, in a few instances, are a combination of both. Goods from the EU are usually charged WTO rates and under the agreement of the WTO Uruguay Round, some alcoholic beverages are free of duty since 2002. Japan has also preferential tariffs for countries with which it has a preferential trading agreement. Advertising materials, including brochures, films and photographs, may enter Japan duty free. Articles intended for display but not for sale at trade fairs and similar events are permitted to enter duty free in Japan when the fair/event is held at a bonded exhibition site. Japan is a member of the ATA Carnet system. Finally, an 8 % consumption tax is levied on all goods sold in Japan.

Market Analysis

➤ Japanese Alcoholic Beverages Market

The legal drinking age in Japan is 20 years. Social drinking plays an important role in Japanese society and it is used to strengthen social and business ties. The typical Japanese family also consumes alcoholic beverages at home on a daily/regular basis. There is also a Japanese tradition to give presents to family, business relations, etc. several times year. Japan has a large variety of alcoholic beverages, namely : Beer, Happoshu (same alcohol content as beer but less malt), New Genre Beer (contains no malt), Rice Wine (sake or nihonshu), Shochu (distilled spirit made from rice, sweet potatoes, wheat and/or sugar canes), Chuhai (fruit-flavored alcohol made of shochu and water), Plum Wine, Wine, Liquors and Whiskey Highball.

With an estimated annual sales of about 6 trillion yen (2013), the Japanese liquor market is very large and beer (31%), liquor (24,5%) and shochu (10,6%) are the three biggest categories of alcoholic beverages. It is a mature market with fierce competition and the last years (with the exception of 2012) showed consecutive decline in terms of alcoholic beverage consumption. The reason for the decline are twofold (1) the general trend of not or less drinking and (2) the ageing society. Further growth in the alcoholic beverage market is unlikely so the best strategy for increasing market share is product innovation and consumer education.

In 2013, foreign imports including beer products, accounted only for about 4% (251 billion yen) of the total liquor market. As the Japanese market is monopolized by the big Japanese manufacturers, foreign brands can usually only act in niche markets. The only markets where foreign producers are playing a more important role are the wine/sparkling wine, the premium beers and the liquor markets. The Japanese wine market is a good example of how a non-traditional alcoholic beverage can become a popular drink. Another foreign alcoholic beverage that is gaining in popularity is imported beer.

➤ Sales Outlets and Distribution Channels

In order to sell alcoholic beverages, vendors must be licensed under the Liquor Tax Act. Retailers include liquor shops, convenience stores, department stores, supermarkets, mass merchandisers, internet shops, and discount liquor shops. The convenience store is a growing channel for alcoholic beverages purchase. Traditional alcohol manufacturers and distributors are investing to improve their web presence. When importing alcoholic beverages into Japan, foreign manufacturers sell to agents, importers or directly to wholesalers or, in some case, set up their own office in Japan. Foreign manufacturers can also sell to domestic manufacturers.

➤ Issues for Importing Alcoholic Beverages

When importing alcoholic beverages, it is necessary to make sure that the product complies with the standards of the Food Sanitation Act and that all additives are approved under the Liquor Tax Act. Furthermore, care must be taken to provide stable product quality, both in terms of the contents and packaging. Another aspect that needs to be carefully considered is the marketing strategy and the market positioning of the product.

Imports of alcoholic beverages account for only 4% (2013) of the total Japanese market. The main reason is that there are non-tariff barriers to market access as well as a delay in implementing international standards. Some of the pending issues are:

- **Tariffs and Taxes.** Following a WTO ruling, Japan reduced the high taxes on imported alcoholic beverages and in 2002 permanently eliminated all tariffs on whiskey and brandy. For vodka, rum, liquors and gin there is a temporary zero tariff that has to be renewed every year. However some issues remain (1) the Japanese government has expressed its intention to classify wine and Japanese sake in the same category and is thus ignoring the fundamental differences between both products. (2) Japan imposes tariffs on both sparkling wine and still wine. (3) Japan's tax system for beer is based on malt content instead of the usual alcohol content categories or just 1 heterogeneous beer category. This means that most European beers (which have usually a higher malt content) are classified in the highest category. (4) The temporary zero tariff for vodka, rum, liquors and gin have to be renewed on a yearly basis.
- **Wine Definition.** The Japanese definition of 'wine' is broader than the one applied in the EU. This opens the door to inferior products, misleading Japanese consumers and bringing in unfair competition.
- **Traceability.** In Japan the use of lot codes is not compulsory and hence traceability is not really possible. Although most importers of EU alcoholic beverages make sure that the lot codes are in good order, some opportunistic traders import products with removed, tampered with or covered up lot codes.
- **Additives.** The list of additives approved by Japanese authorities is outdated and differs from the EU one. The process for getting 'new' additives approved is both time-consuming and costly.
- **Geographical Indicator (GI).** A geographical indication is a distinctive sign used to identify a product as originating in the territory of a particular country, region or locality where its quality, reputation or other characteristics is linked to its geographical origin. In Japan, the lack of accurate GI definitions hinders the ability of European businesses to compete in the Japanese market.

➤ **Key Factors for a Successful Market Entry**

It is advisable to participate to a Japanese trade show in order to get a better understanding of the market, and to start first contact with the potential partners, traditionally an agent or distributor. When selecting suitable importers/distributors, one must try to eliminate unnecessary steps in the distribution chain in order to maintain competitive pricing. One way to do this is setting up a branch office in Japan in order to deliver directly to retailers and restaurants.

The alcoholic market in Japan is mature and very competitive. Hence, EU companies who want to enter the market should have an attractive product with a suitable marketing strategy, the right price setting, excellent business controls, dependable communication and the ability to produce and ship their products on time. Packaging and general presentation is important as it is considered part of the customer experience.

As further growth of the alcoholic beverage market is unlikely, being able to bring product innovation and differentiate from the competition are an important factor for a successful market entry. In recent years a new 'health' trend has developed, which translated into an increased market share of low-malt beers and, alcohol- and calorie-free beers. If there is scientific proof that the EU product has some health benefits, highlighting these benefits should be part of the marketing strategy.

2. Description and Objective of the Study and Methodology

2.2. Description and Objective of the Study

The report ‘Alcoholic Beverages in Japan’ is mandated by the EU-Japan Centre for Industrial Cooperation¹, which is a joint venture between the Directorate–General for Enterprise and Industry of the European Commission² and the Ministry of Economy, Trade and Industry of the Japanese Government (METI)³. Mandated and financed by those two authorities, the EU-Japan Centre for Industrial Cooperation is currently developing the future reference website⁴ for EU companies wishing to develop business relations in Japan. The objective of the website is to provide practical information for EU businesses in need of clear guidelines on trade and investment opportunities in Japan, including practical information on Japanese business sectors (market surveys, etc.) and advice on overcoming various barriers to the Japanese market (i.e. corporate taxation, IPR, etc.)

The objective of this study is to conduct an in-depth study of the Alcoholic Beverages Market in Japan and issues related to import. More specific: the related regulation and legislation, import procedures, alcoholic beverages in the FTA negotiations, labeling and packaging, tariffs and taxes, market information and trends, distribution channels, issues when importing alcoholic beverages and key factors for a successful market entry. Versus the end of the report, the relevant ministries and government agencies, business associations and trade fairs are listed.

This project is intended for open access online publication.

2.2. Methodology

The methodology employed by the author was desk research, namely review of public available information, documents, databases and surveys. This was complemented by the actual business experience of the author. The deliverables for the study are (1) Intermediate report by September 30, 2015, (2) Final report by October 30, 2015 and (3) Webinar presentation of the final report in 2015.

¹ EU-Japan Centre for Industrial Cooperation - <http://www.eu-japan.eu>

² Directorate–General for Enterprise and Industry of the European Commission - http://ec.europa.eu/enterprise/index_en.htm

³ METI- <http://www.meti.go.jp/english/>

⁴ Reference website - <http://www.eubusinessinJapan.eu>

3. Regulations, Legislation, Import Procedures and Related Issues

3.1. Regulations and Legislation

➤ Food Sanitation Act

Under the Food Sanitation Act the sales of products that contain harmful or toxic substances are prohibited. The 'Standards and Criteria for Food and Additives'⁵ issued under the Food Sanitation Act, and the 'Standards for Pesticide Residues' specify the types and details of the raw ingredients as well as the tests to determine the types and contents of additives, pesticide residues, mycotoxins, etc. On May 29, 2006 the Ministry of Health, Labour and Welfare (MHLW) introduced the positive list system for agricultural chemicals remaining in food, which means that the distribution and sales of products is prohibited if they contain a specific level of pesticides, feed additives or veterinary drugs.⁶ As shown on the right side of Fig 1, three categories have been established (1) chemicals for which the Maximum Residue Limit (MRL) has been established (2) chemicals for which no MRLs are established (3) Chemicals that do not have adverse health effects.

Import bans may be imposed on food containing an additive, pesticide, or other content which is prohibited in Japan, when its levels exceed approved limits, or when the presence of mycotoxins, etc. is above allowable levels. Hence it is advised to check alcoholic beverages at the production site prior to import.

Under the Food Sanitation Act, alcoholic beverages in containers and packaging are also subject to mandatory labeling. More information on labeling is provided in Chapter 4.

The English translation of the Food Sanitation Act can be found on the JETRO website.⁷

Competent Agency: Ministry of Health, Labour and Welfare, Pharmaceutical and Food Safety Bureau, Department of Food Safety, Inspection and Safety Division.⁸

⁵ http://www.jetro.go.jp/ext_images/en/reports/regulations/pdf/foodext2010e.pdf

⁶ <http://www.mhlw.go.jp/english/topics/foodsafety/positivelist060228/introduction.html>

⁷ JETRO : <https://www.jetro.go.jp/en/reports/regulations/>

⁸ MHLW : <http://www.mhlw.go.jp>

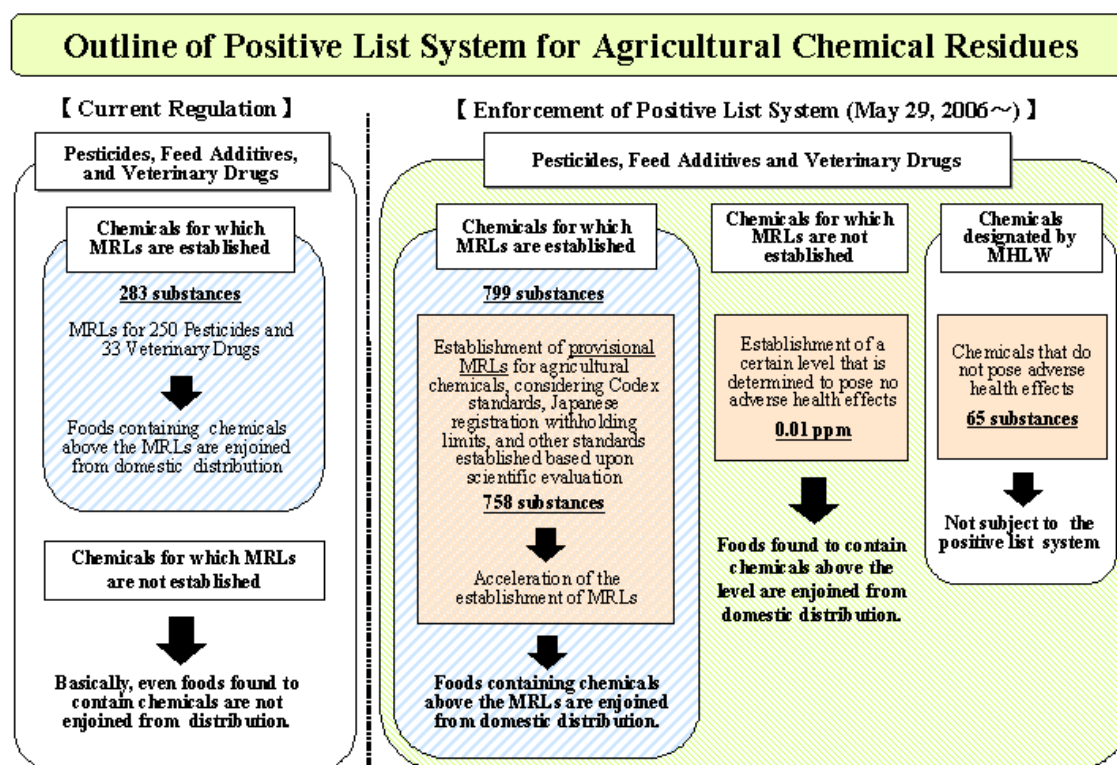


Fig 1: Outline of the positive list system for agricultural chemical residues - MHLW⁹

➤ **Liquor Tax Act**

Alcoholic beverages are defined as beverages containing no less than 1% alcohol and they are divided into four categories and 17 items.¹⁰ The alcoholic beverage categories are

- (1) effervescent alcoholic beverages (beer, sparkling liquor and other effervescent alcoholic beverages);
- (2) brewed alcoholic beverages (sake, fruit wine, other brewed liquor);
- (3) distilled alcoholic beverages (continuous distillation Japanese spirits (shochu), simple system distillation Japanese spirits (shochu), alcohol for material, whiskey, brandy, spirits); and
- (4) mixed alcoholic beverages (sake compound, mirin, sweet fruit wine, liqueurs, powder liquor, miscellaneous liquor).

The rates of taxation applied to each type of alcoholic beverage (specific duty per 1 kiloliter) is summarized in the following chart (Fig.2).

⁹ <http://www.mhlw.go.jp/english/topics/foodsafety/positivelist060228/introduction.html>

¹⁰ <http://www.nta.go.jp/kohyo/tokei/kokuzeicho/h25/h25.pdf>

Category	Beverage Classification	Alcohol Content (by volume)	Taxation Rate per 1 kiloliter (yen)
Effervescent Alcoholic Beverages	Basic Taxation Rate	n/a	220,000
	Beer	n/a	220,000
	Sparkling Liquor	more than 50% malt	220,000
	Sparkling Liquor	between 25% - 50% malt	178,125
	Sparkling Liquor	less than 25% malt	134,250
	Other	alcohol content less than 10%	80,000
Brewed Alcoholic Beverages	Basic Taxation Rate	n/a	140,000
	Sake	n/a	120,000
	Fruit Wine	n/a	80,000
	Other	n/a	140,000
Distilled Alcoholic Beverages	Basic Taxation Rate	21% or above	200.000 + 10.000 added for each %
	Basic Taxation Rate	under 21%	200,000
	Shochu	21% or above	200.000 + 10.000 added for each %
	Shochu	under 21%	200,000
	Whisky/Brandy/Spirit	37% or above	370.000 + 10.000 added for each %
	Whisky/Brandy/Spirit	under 37%	370,000
Mixed Alcoholic Beverages	Basic Taxation Rate	21% or above	220.000 + 11.000 added for each %
	Basic Taxation Rate	under 21%	220,000
	Sake Compound	n/a	100,000
	Mirin	n/a	20,000
	Sweet Fruit Wine/Liquers	13% or above	120.000 + 10.000 added for each %
	Sweet Fruit Wine/Liquers	under 13%	120,000
	Powder Liquor	n/a	390,000
	Miscellaneous	resembling sweet sake	20,000
	Miscellaneous	21% or above	220.000 + 11.000 added for each %
	Miscellaneous	under 21%	220,000

Fig 2 : The rates of taxation applied to each type of alcoholic beverage (National Tax Agency).¹¹

Under the law, wholesaling of alcoholic beverages is operated in a licensing system, in which those that have obtained a wholesale dealer's license for all alcoholic beverages or imported alcohol beverages from the director of the tax office are authorized to wholesale imported alcoholic beverages. Alcoholic beverages can be imported independently if they are intended to be offered for drinking within the applicant's place of business (such as a bar, restaurant, etc.).¹²

Competent Agency: National Tax Agency, Taxation Department, Liquor Tax and Industry Division¹³

¹¹ <http://www.nta.go.jp/>

¹² Guidebook for Export to Japan (Food Articles) 2011, Alcoholic Beverages, JETRO

¹³ <http://www.nta.go.jp/>

➤ **Customs Tariff Act : Customs Act**

The Customs Tariff Act prohibits the import of knock-off brands, counterfeit goods, cargo with labeling that falsifies the origin of the contents, etc. Penalties such as fines and imprisonment may be imposed on offending importers. Effective from April 2004, information on manufacturers, exporters, and importers of counterfeit goods is allowed to be disclosed to the right holders.

Competent Agency: Ministry of Finance (MOF), Customs and Tariff Bureau.

➤ **Liquor Business Association Act (Act on Securing of Liquor Tax and on Liquor Business Associations)**

The objective of this law is to enable businesses that sell alcoholic beverages to set up associations to support the preservation of the liquor tax and to conduct programs to enhance their collective benefit. It also ensures the government's position to take measures on liquor business when necessary, ensuring liquor tax revenues and stabilizing alcoholic beverage transactions.¹⁴ On a practical level, the Liquor Business Association Act governs various matters concerning labeling with the purpose to ensure stable trading of alcoholic beverages and to prevent underage drinking.

Competent Agency: National Tax Agency, Taxation Department, Liquor Tax and Industry Division¹⁵

➤ **Pharmaceutical Affairs Act**

To prevent confusion between general alcoholic beverages and medicinal liquors, it is prohibited to label or advertise a general alcoholic beverage misleadingly as having the effects of a pharmaceutical product.

Competent Agency: Ministry of Health, Labour and Welfare, Pharmaceutical and Food Safety Bureau, Compliance and Narcotics Division

➤ **Product Liability Act**

The purpose of this Act is to relieve the injured person by setting forth liability of the manufacturer, etc. for damages when the injury on a life, a body, or property is caused by a defect in the product, and thereby to contribute to the stabilization and improvement of people's life and to the sound development of the national economy.¹⁶ As a processed product, alcoholic beverages are subject to the Product Liability Act, and care should be taken with regard to the safety management of the content, containers, and packaging.¹⁷

The Product Liability Act stipulates the liability of manufacturers, etc. for damages to consumers and importers are included in the category of manufacturers. This is based on a policy to make importers liable for damages because it is difficult for victimized consumers to hold overseas manufacturers liable.¹⁸

Competent Agency: Consumer Affairs Agency, Consumer Safety Division

¹⁴ <http://www.nta.go.jp/>

¹⁵ <http://www.nta.go.jp/>

¹⁶ Consumer Affairs Agency, <http://www.consumer.go.jp/english/pla/>

¹⁷ Guidebook for Export to Japan (Food Articles) 2011, Alcoholic Beverages, JETRO

¹⁸ Guidebook for Export to Japan (Food Articles) 2011, Alcoholic Beverages, JETRO

➤ **Act on Specified Commercial Transactions**

Selling 'specified products, rights, or services' to general consumers through 'specified commercial transaction' are subject to provisions of the Act on Specified Commercial Transactions. Specified commercial transactions applicable include (1) door-to-door sales, (2) mail order sales, including internet sales and advertisements through e-mail, (3) telemarketing sales, (4) multilevel marketing transactions (5) specified continuous service offers and, (6) business opportunity related sales transactions. In order to provide consumers with accurate information, in mail order sales, operators are required to list the following information in their advertisements: (1) sales price, (2) payment period and method, (3) delivery date, (4) clauses related to the return system, (5) name, address and telephone number of the operator. The Act also prohibits advertising containing false or exaggerated statements. It should be noted that a mail-order retail dealer's license for alcoholic beverages is required for the sale of alcoholic beverages by mail-order.

*Competent Agency: Consumer Economic Policy Division, Commerce and Information Policy Bureau, Ministry of Economy, Trade and Industry.*¹⁹

➤ **Act on the Promotion of Sorted Garbage Collection and Recycling of Containers and Packaging (Containers and Packaging Recycling Law)**

The law provides for a collection and recycling system in which municipalities take charge of collecting sorted containers and packaging (sorted and discarded by consumers) and businesses take charge of recycling such collected containers and packaging. The purpose is to reduce containers and packaging that are discharged as Municipal Solid Waste (MSW) from households, clarifying the role-sharing in managing these waste, i.e. consumers sorting waste materials when discarding them, municipalities carrying out collection of sorted waste, and businesses recycling the collected waste, with the aim of ensuring proper management of waste and effective use of resources through reduction of MSW and adequate use of recyclable resources. It should be noted that under this act, importers, etc. that sell contents using containers and packaging (glass bottle, plastic bottles, paper containers and packaging and plastic containers and packaging, etc.) shall be liable for recycling (however, small-scale enterprises of below a certain size are excluded).²⁰

Competent Agency:

**Ministry of Economy, Trade and Industry (METI), Industrial Science and Technology Policy and Environment Bureau, Recycling Promotion Division.*²¹

**Ministry of Environment, Waste Management and Recycling Department, Office for Recycling Promotion.*²²

**Ministry of Agriculture, Forestry and Fisheries (MAFF), General Food Policy Bureau, Food Industry Policy Division*²³

➤ **Minor Drinking Prohibition Act**

¹⁹ <http://www.meti.go.jp>

²⁰ <https://www.env.go.jp/en/laws/recycle/07.pdf>

²¹ <http://www.meti.go.jp>

²² <http://www.env.go.jp>

²³ <http://www.maff.go.jp>

The Minor Drinking Prohibition Act bans the intake of alcoholic beverages by minors (persons less than 20 years), and provides for the punishment of those that sell to or offer them. For the purpose of ensuring this, it is recommended to label containers and packaging of alcoholic beverages to indicate that 'underage drinking is prohibited by law'.²⁴

*Competent Agency: National Tax Agency, Taxation Department, Liquor Tax and Industry Division.*²⁵

3.2. Import Procedures

Alcoholic beverage cargo arriving in Japan will be stored in the bonded area and besides standard import declaration documents and payment of the custom duty, national and consumption taxes, the cargo must also comply with the Food Sanitation Law. The first step in the procedure is to submit the filled out 'Notification Form for Importation of Food etc' to the MHLW quarantine station responsible for the port of import. After submission of this form, the food sanitation inspector at the quarantine station will examine the documents and validate the following items based on the provided information.²⁶

-Whether the imported food, etc. complies with the manufacturing standards regulated under the Food Sanitation Law.

-Whether the use of additives complies with the standards.

-Whether the cargo contains poisonous or hazardous substances.

-Whether the manufacturer or the place of manufacturing has a record of sanitation problem in the past.

→When the document examination and cargo inspection have found that the cargo is in compliance with the law, a "Certificate of Notification" will be given to the importer.

→When the document examination brings suspicion that the cargo is not in compliance with the law, the cargo will be inspected. If the cargo, after inspection, has been judged not to comply with the law, the MHLW quarantine station will notify the importer on how the cargo violates the Food Sanitation Law. The cargo will be returned to shipper or destroyed.

It should be noted that in order to simplify and speed up the import procedures, simplified systems of import notification are also available, as detailed in Figure 3.

²⁴ Guidebook for Export to Japan (Food Articles) 2011, Alcoholic Beverages, JETRO

²⁵ <http://www.nta.go.jp/>

²⁶ <http://www.mhlw.go.jp/english/topics/importedfoods/1.html>

Name	System
Advance Notification System	For all food and related products, the import notification form can be submitted starting 7 days before the estimated date of cargo's arrival. Except for the cargo that needs an inspection, a copy of certificate of notification is issued immediately, either before the arrival of cargo or after the cargo is unloaded to the bonded area.
Planned Import system	If a certain food or related item is planned to be imported repeatedly, an import plan can be submitted at the time of the first import. When the plan is found satisfactory, the submission of import notification is exempted for a certain period.
Inspection Results by official Inspection Organizations in Other Countries	When a cargo is inspected by an official inspection organization in the exporting country prior to the export, and a report of the result from the inspection is attached to the cargo, the inspection at the quarantine station for the cargo may be exempted. Inspection items whose results are subject to change during transportation (bacteria, mycotoxin, etc.) are excluded.
Continuous Import of Same Items	When certain foods and related products are imported repeatedly and inspection results are attached to the import notification form at the initial import, if document examination finds no problem, inspection can be exempted in the upcoming occasions of import for a certain period.
Advance Approval of Imported Foods and related Products	When the imported foods, etc. are confirmed to be compliant with the Food Sanitation Law, the items and the manufacturers may be registered. Inspection at the upcoming import is exempted for these items for a certain period of time and the certificate of notification is issued immediately after the submission of import notification.

Fig 3: Systems for simplified and expedited systems of import procedures of food and related items ²⁷

3.3

²⁷ <http://www.mhlw.go.jp/english/topics/importedfoods/1-5.html>

. The EU- Japan Free Trade Agreement Negotiations

The EU-Japan FTA negotiations were officially launched on 25 March 2013.²⁸ The target is to conclude a mutually beneficial trade agreement that will lead to economic growth both in the EU and Japan. During the negotiations EU concerns, including non-tariff barriers (NTBs) and access to public procurement, are being addressed. Several rounds of negotiations have already been organized and Prime Minister Abe has expressed the objective of concluding the negotiations by the end of 2015. However, at the moment of writing the report, this time frame seems no longer realistic.

Trade between the EU and Japan was almost in balance in 2014, with a deficit of 1.3 billion euro.²⁹ This is a big difference with the 30 billion-plus euro EU deficits of the mid to late 2000s.³⁰ More specific, EU exports to Japan have been growing steadily (*falling slightly back since 2012) while Japan exports to the EU have dropped 27% over the past decade.³¹ One of the reasons for this drop is the continued offshoring of manufacturing by Japanese companies. Needless to say that this figure also masks some negative trends in trade and investment between Japan and the EU. To put this FTA negotiations further in perspective, it should be noted that, despite many efforts from both the EU, EU national governments and Japan, the reality is that the trade volume between the EU and Japan is actually decreasing in size.³² At just over 100 billion euro (107,9 euro billion euro in 2014³³), it is smaller than that with Turkey and larger than that with S-Korea (roughly 75 billion euro), which isn't an impressive number considering the size of the Japanese economy.

The above picture is not very encouraging but shows the impact a successful Free Trade Agreement (FTA) could have. The middle way lies in erasing the unnecessary differences in standards, legalisation and systems, erasing tariffs, tackle NTBs and open the public procurement market. Let's take tariffs as an example. For most industrial goods the tariffs are low on both sides, but in a world of global value chains they can still be significant.³⁴ Another potential lies in the food, drink and agriculture products sector, where tariffs are still relatively high. In respect to alcoholic beverages, the main trade issues are discussed in Chapter 6.3. According to unofficial sources, the geographical indicators (GI) issue, additives, and tariffs on wine and liquor are being included in the negotiations.

²⁸ European Commission, Directorate-General for Trade, <http://ec.europa.eu/trade/>

²⁹ On the Decline, Concern over falling trade between Japan and the EU, Text Gavin Blair, Eurobiz Japan, September 2015

³⁰ On the Decline, Concern over falling trade between Japan and the EU, Text Gavin Blair, Eurobiz Japan, September 2015

³¹ On the Decline, Concern over falling trade between Japan and the EU, Text Gavin Blair, Eurobiz Japan, September 2015

³² European Commission – Speech - EU-Japan FTA : opportunities and Challenges, 13 March 2015, Cecilia Malmström, Commissioner for Trade, Stockholm – SSE Conference on trade relations between the EU and Japan

³³ On the Decline, Concern over falling trade between Japan and the EU, Text Gavin Blair, Eurobiz Japan, September 2015

³⁴ European Commission – Speech - EU-Japan FTA : opportunities and Challenges, 13 March 2015, Cecilia Malmström, Commissioner for Trade, Stockholm – SSE Conference on trade relations between the EU and Japan

4. Labeling and Packaging

Labeling of alcoholic beverages must be done in Japanese and be conform to several laws and regulations.³⁵ It is the importer who is responsible for the proper labeling and the following information must possibly be provided on the label.³⁶

- *Product Name.* Name of the product and type of alcoholic beverage must be noted on the label.
- *Ingredients.* The ingredients must be listed in descending order, from highest to lowest content
- *Additives.* Food additives must be listed in descending order of weight on a separate line from other ingredients. The substance name and use of the following additives must be indicated on the label: sweeteners, antioxidants, artificial colours, colour formers, preservatives, whiteners, thickeners/stabilizers/gelators/bodying agents, antifungal agents, and anti-mould agents.
- *Alcoholic Percentage.* The alcohol level must be noted in 'degrees' or '%' and a deviation of +/- 1 degrees is permissible.
- *Content Weight.* The content weight must be noted in litres /millilitres on the label.
- *Expiration Date.* For liquor products, the expiration date is not obligatory. However, alcoholic beverages requiring preservation precautions must be labelled with the expiration date and preservation precautions.
- *Storage and Preservation Method.* Normally the preservation method for maintaining the flavour in the unopened container must be noted on the label. However, for alcoholic beverages which can be stored at room temperature, the preservation method can be omitted.
- *Country of Origin.* The country of origin must be noted on the label.
- *Importer.* The name and address of the importer must be noted on the label.
- *Allergies.* Possible allergies causing ingredients are required or recommended to be noted on the label. Specific ingredients requiring allergy labeling are: egg, milk, wheat, shrimp, crab, buckwheat noodle and groundnuts. Specific ingredients recommended allergy labeling are: bearded clam, squid, salmon roe, orange, kiwi fruit, beef, walnut, salmon, mackerel, soy bean, chicken, banana, pork, matsutake, peach, yam, apple and gelatin.
- *Nutrition Facts.* The nutritional labeling is voluntary for all foods except foods with nutrition claims.³⁷ However, when indicated, it must be done in accordance with the nutritional labeling standards prescribed by the MHLW. The required information includes nutritional components, structural components (e.g., amino acids in protein), and types of components (e.g., fatty acids in fat). Components must be indicated in the following order and unit. (1) Calories (kcal or kilocalories), (2) Protein (g or grams), (3) Fat (g or grams), (4) Carbohydrate (g or grams), (5) Sodium and, (6) Other nutritional components.
- *Recombinant Foods (GM Foods).* The following alcoholic beverages containing ingredients such as recombinant crops etc, require recombinant food labeling. (1) Liquors made from the specified crops (soya beans produced using recombinant DNA techniques, including green soya beans and soya bean sprouts, maize or corn, potatoes, rapeseed, cotton seeds) or processed foods made from such ingredients, which contain residual recombinant DNA or protein produced as a result. (2) Liquors made from soya beans with

³⁵ Guidebook for Export to Japan (Food Articles) 2011, Alcoholic Beverages, JETRO

³⁶ Guidebook for Export to Japan (Food Articles) 2011, Alcoholic Beverages, JETRO

³⁷ <http://www.mhlw.go.jp/english/topics/foodsafety/fhc/>

strong oleic acid traits, which are classified as specific recombinant crops (concerned crops whose composition and nutritional value are extremely different from normal crops because they are produced using recombinant DNA technology), if such soya beans are a main ingredient (one of the top three ingredients, accounting for 5% or more of the total weight), and liquor products made from such liquors.

- *Organic Labeling.* The Japanese Agriculture Standard (JAS) for organic plants and organic processed food of plant origin was established in 2000 on the basis of the Guidelines for the Production, Processing, Labeling and Marketing of Organically Produced Foods.³⁸ The organic JAS system has been further developed with the addition of the JAS Standards for organic livestock products, organic processed foods of animal origin and organic feeds which took effect in 2005. Operators certified by registered Japanese or overseas certifying bodies are able to attach the organic JAS logo to products that were produced or manufactured in accordance with relevant organic JAS Standards. A list of the certifying bodies can be found on the website of the Ministry of Agriculture, Forestry and Fisheries.³⁹ From 1 April 2013, JAS certified importers are able to consign the 'Organic JAS logo' to an operator certified by the grading system of a foreign country which Japan recognizes as equivalent with the Japanese Organic JAS System. The foreign countries recognized as equivalent are: EU member nations, United States of America, Australia, New Zealand, Switzerland and Argentina.⁴⁰
- *Description.* Product descriptions with false or misleading expressions are prohibited. Hence, the Pharmaceutical Affairs Act allows labeling of medical indications or efficacy only if the alcoholic beverage has been approved under the act.

The Japan Wines and Spirits Importers' Association has published a 'Self-Regulatory Code of Marketing & Advertising Practices and Container Labeling for Alcoholic Beverages' paper on its website.⁴¹ The aim of the paper is to provide guidelines towards the manufacturers and distributors of alcoholic beverages in respect to the social responsibilities they have, namely the prevention of illegal behaviour (underage drinking, alcohol-impaired driving, and alcohol consumption that may lead to harmful and socially unacceptable consequences). More practically, the paper gives detailed guidelines on voluntary responsible labeling and, marketing and advertising practices.

The 'Law for Promotion of Effective Utilization of Resources', which was put into force in 2001, promotes the reduction of waste, reuse of parts, and recycling of used products as raw materials. The law provides for measures to be taken by businesses, such as 3R (Reduce, Reuse, Recycle)-related measures in the production stage, 3R consideration in the product designing stage, labeling for separated collection, and development of a system for self-collection and recycling by manufacturers. For alcoholic beverages this means that the containers and packaging need to be labeled appropriately in order to facilitate sorted waste collection. When using plastic containers, paper containers, plastic bottles, aluminium cans or steel cans, the identification marks (shown hereunder), must be placed on one or more areas of the containers and packaging.

³⁸ MAFF, <http://www.maff.go.jp/e/jas/specific/organic.html>

³⁹ MAFF, <http://www.maff.go.jp/e/jas/specific/organic.html>

⁴⁰ MAFF, press release, http://www.maff.go.jp/e/jas/specific/pdf/130329_press_english.pdf

⁴¹ <http://www.youshu-yunyu.org/english04/>



Plastic Container and packaging



Paper containers and packaging



Polyethylene Terephthalate (PET) Bottles



Aluminium Cans



Steel Cans

5. Tariffs and Taxes

Tariff duties are assessed on the CIF (cost, insurance and freight) value or specific rates, and, in a few instances, are a combination of both. Tariffs are administered by the Customs and Tariff Bureau of the Ministry of Finance.⁴² Goods from the EU are usually charged World Trade Organization (WTO) rates. More comprehensive information can be found on the website of the Japan Customs⁴³, the Japan Tariff Schedule⁴⁴ or on the Japan Tariff Association website.⁴⁵

According to the JETRO study on alcoholic beverages⁴⁶: QUOTE Tariff duties on wine are based on a selective taxation system of either specific or ad valorem duty, in which different rates of duties are applicable depending on the item and origin of export. Under the agreement of WTO Uruguay Round, beer and whiskey have been free of duty since 2002; and brandy since 2004. Tariff rates for bourbon or rye whisky are applicable only to those that have been certified as authentic by the Government or a Government instrumentality of the country of origin. As for liqueurs, where it is difficult to judge whether or not an item is liqueur during import clearance procedures, a mixed alcoholic beverage that contains sugar or sweeteners added to it for the purpose of sweetening shall be deemed as a liqueur. In order to apply for preferential tariff rates on articles imported from preferential treatment countries, the importer should submit a Generalized System of Preferences (GSP) Certificate of Origin issued by the customs or other issuing agency in the exporting country, to Japan Customs before import clearance (not required if the total taxable value of the article is no greater than ¥200,000). Details may be checked with the Customs and Tariff Bureau of the Ministry of Finance. If the importer wishes to check the tariff classifications or tariff rates in advance, it may be convenient to use the Advance Classification Ruling System in which one can make inquiries and receive replies in person, in writing, or via e-mail. UNQUOTE

Advertising materials, including brochures, films and photographs, may enter Japan duty free. Articles intended for display but not for sale at trade fairs and similar events are permitted to enter duty free in Japan only when the fair/event is held at a bonded exhibition site. Japan is a member of the ATA Carnet system. The ATA Carnet is an international customs document that permits the tax-free and duty-free temporary export and import of goods for up to one year. As long as the goods are re-exported within the allotted time frame, no duties or taxes are due. Failure to re-export all or some of the goods listed on the ATA Carnet will result in the payment of applicable duties and taxes.

Currently, an 8 % consumption tax is levied on all goods sold in Japan. The consumption tax is assessed on the CIF value of the product plus the import duty. The current intention of the Japanese government is to raise the consumption tax to 10% in April 2017.

⁴² <http://www.mof.go.jp>

⁴³ <http://www.customs.go.jp>

⁴⁴ http://www.customs.go.jp/english/tariff/2014_4/index.htm

⁴⁵ <http://www.kanzei.or.jp/english/download/efdmembe.htm>

⁴⁶ Guidebook for Export to Japan (Food Articles) 2011, Alcoholic Beverages, JETRO

6. Market Analysis

6.1. Overview of the Japanese Alcoholic Beverages Market

The legal drinking age in Japan is 20 years. Social drinking plays an important role in Japanese society and it is used to strengthen social and business ties. They are typically held in restaurants or bars. The typical Japanese family also consumes alcoholic beverages at home on a daily/regular basis. There is also a Japanese tradition to give presents to family, business relations, ... several times year and alcoholic beverages are a popular gift.

Japan has a large variety of alcoholic beverages.

-**Beer** is probably the most popular drink in Japan and the leading breweries are Suntory, Asahi, Kirin and Sapporo.

-**Happoshu** has a similar flavor and alcohol content as beer but is made with less malt, which gives it a different lighter taste. It is sold at a lower price than beer because it is taxed less (due to the lower malt content)

-**New Genre Beer** is a new type of beer. In order to avoid being classified as beer (counter tax changes) it contains no malt and instead uses pea, soya or wheat spirit.

-**Rice Wine**, called sake or nihonshu, has an alcohol content between 10-20% and is drunken either cold or hot. The main ingredients are rice, water and white koji mold. There are countless local rice wine producers.

-**Shochu** is a distilled spirit made from rice, sweet potatoes, wheat and/or sugar canes. It has an alcohol content between 20-40%. It is usually served mixed with water, fruit juice, or oolong tea.

-**Chuhai** is fruit-flavored alcohol made of shochu and water, with an alcohol content between 5-8%.

-**Plum Wine** or umeshu is made of plums, sugar and shochu or rice wine.

-**Wine** is becoming more popular, especially among women and beside imports, there also is a sizable domestic wine industry.

-**Liquors**, such as whiskey, gin and vodka are popular and commonly available.

-**Whiskey Highball** is a carbonated drink made of whiskey and soda water, and has an alcohol content between 5-7%.

According to data from the National Tax Agency (NTA – 2013)⁴⁷, the market share of the different alcoholic beverages, is as following

31,0% : beer (2,66 million kL)

24,5% : liquor (2,10 million kL)

10,6% : shochu (0,91 million kL)

9,0 % : others (0,77%)

8,7% : sparkling liquor (0,75 million kL)

8,1% : other brewages (0,70 million kL)

6,8% : sake (0,58 million kL)

1,3% : whiskey and brandy (0,11 million kL)

⁴⁷ The 139th National Tax Agency Annual Statistics Report (FY2013), National Tax Agency

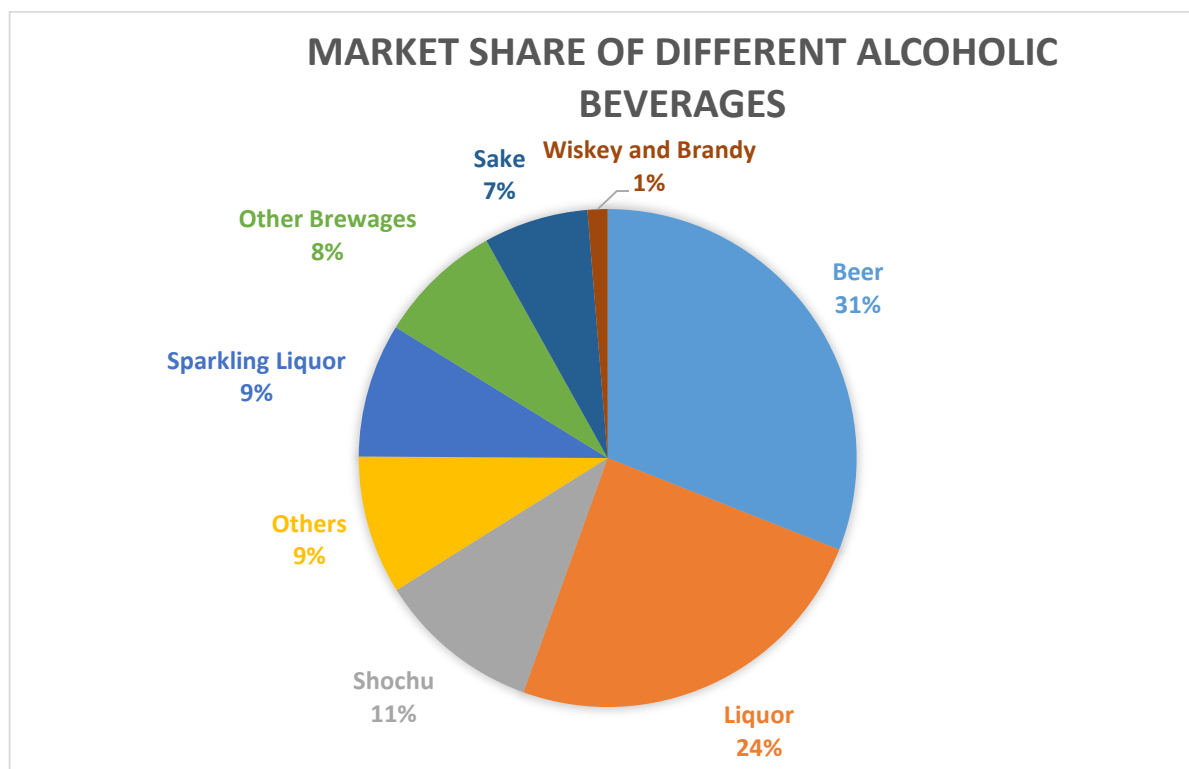


Fig 4: Market Share of Different Alcoholic Beverages

With an estimated annual sales of about 6 trillion yen (2013)⁴⁸, the Japanese liquor market is very large. It is also a mature market with fierce competition. Furthermore, the last years (with the exception of 2012) showed consecutive decline in terms of alcoholic beverage consumption, and 2013 showed a decline in both volume and value.⁴⁹ The reason for the decline are twofold (1) the general trend of not or less drinking and (2) the ageing society. Further growth in the alcoholic beverage market is unlikely so the best strategy for increasing market share is product innovation and consumer education.

An example of 'customer education' is premium tequila, which performed well thanks to the increasing number of tequila bars where consumers are educated about the new way of drinking tequila. Another example is Belgian beer, which has also benefited from a growing number of Belgian beer specialty bars and 'Belgian Beer Weekend' events in the main Japanese cities throughout the year. As a result, the total Belgian Beer imports (including the 3 'beer' categories, <25% malt, 25-50% malt and >50% malt) have almost tripled (in sales volume) from 2010 to 2014.⁵⁰

An example of product innovation is the 'health' trend, which translated into the alcoholic beverages as low-malt beers and, alcohol- and calorie-free beverages.

⁴⁸ Taking action - The EBC report on the Japanese Business Environment, 2014, European Business Council, EBC, <https://www.ebc-jp.com>

⁴⁹ Alcoholic Drinks in Japan, July 2014, Euromonitor international, <http://www.euromonitor.com/alcoholic-drinks-in-japan/report>

⁵⁰ Data from Belgian Beer Information Center.

In 2013, foreign imports including beer products, accounted only for about 4% (251 billion yen)⁵¹ of the total liquor market. As the Japanese market is monopolized by the big Japanese manufacturers, foreign brands can usually only act in niche markets. The only markets where foreign producers are playing a more important role are the wine/sparkling wine, the premium beers and the liquor markets. It should be noted that these niche markets can still be attractive because the products can usually be priced higher than in the home market (under the condition of good quality and good marketing positioning). According to data from the Japan Wine and Spirits Importers' Association⁵² (year 2014), the market share of the different imported alcoholic beverages, is as following

- 31,1% : malted happusho
- 25,0% : wine in containers of less than 2L
- 12,1% :others
- 8,3%: other distilled liquors
- 5,6%: liquors and cordials (base spirits)
- 5,5%:beer
- 5,0% : wine in containers bigger then 150L
- 2,7% : wine in containers between 2L and 150L
- 2,5%: whiskey
- 1,2% :grape juice with an alcohol content higher than 1%
- 0,6%: fermented sake
- 0,4% :refined white liquor

⁵¹ Taking action - The EBC report on the Japanese Business Environment, 2014, European Business Council, EBC, <https://www.ebc-jp.com>

⁵² Japan Wine and Spirits Importers' Association, <http://www.youshu-yunyu.org/>

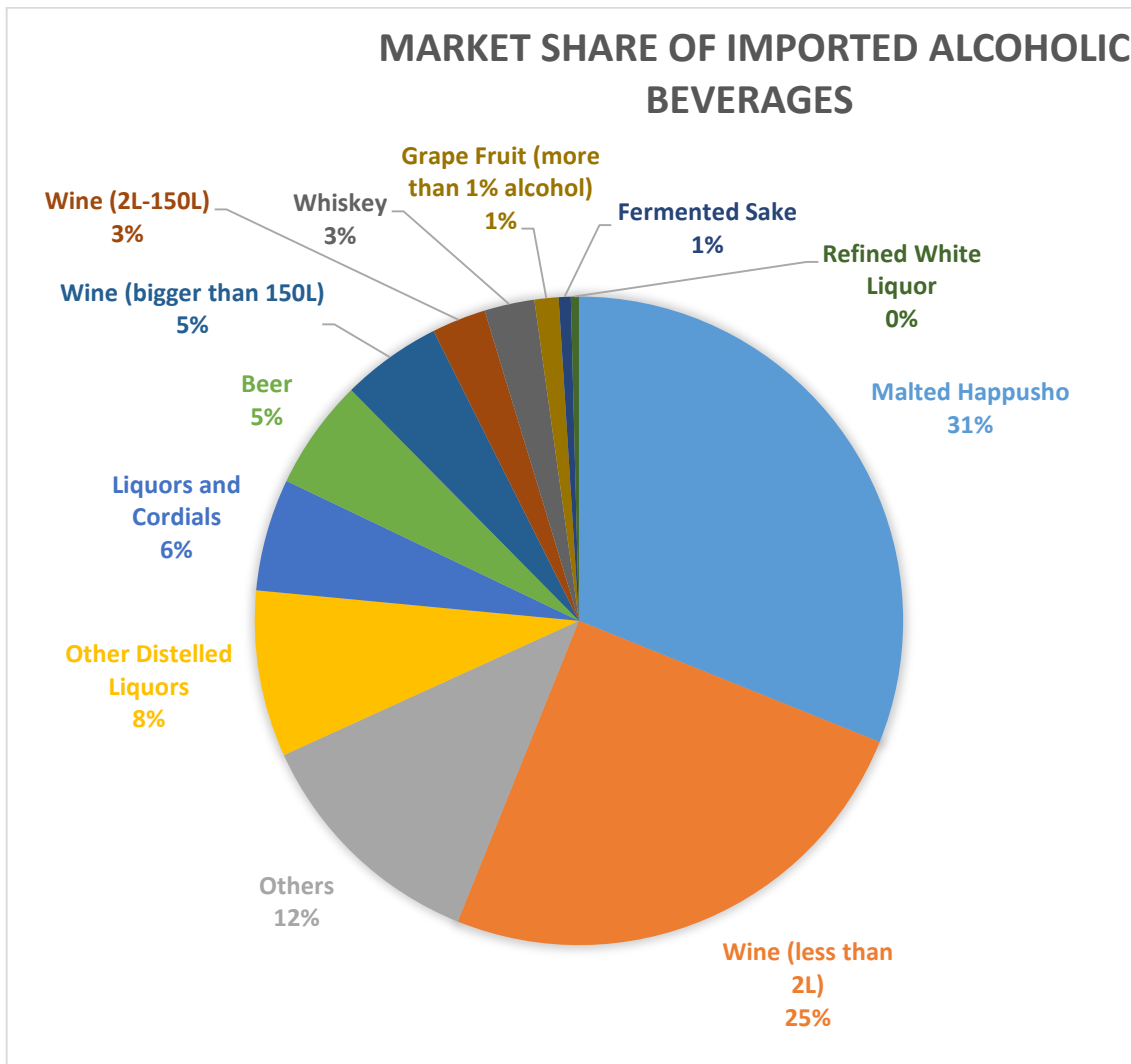


Fig 5: Market Share of Imported Alcoholic Beverages

The Japanese wine market is a good example of how a non-traditional alcoholic beverage can become a popular drink. The red wine boom started at the end of 1997 and has known a significant surge in 2010⁵³, which can be attributed to the availability of reasonable priced & good quality wine.⁵⁴ Between 2010 and 2013, imported wines accounted on average for 67% of the total wine consumption in Japan, with a big part of the imports coming from France and Chile.⁵⁵ Some of the reasons for its success are the match with western food, a wide variety in types and prices and the health effect of polyphenol in red wine. The distribution ratio by wine category (2013) is 54%

⁵³ Foodex Japan 2016, http://www.jma.or.jp/foodex/en/trends/today/alcoholic.html#topic_20141204

⁵⁴ The wine market in Japan : an assessment of challenged and opportunities for Central and East European producers, Prepared by Maria Carla Dobronauteanu, July 2014, EU-Japan Centre for Industrial Cooperation

⁵⁵ The wine market in Japan : an assessment of challenged and opportunities for Central and East European producers, Prepared by Maria Carla Dobronauteanu, July 2014, EU-Japan Centre for Industrial Cooperation

red, 37% white and 9% rose.⁵⁶ Since 2005, Champaign and sparkling wine are also becoming more popular. Bottling imported wine is also a common practice. For example, the Japanese company Mercian imports Chile wine in bulk and bottles it for domestic sales.

Another foreign alcoholic beverage that is gaining in popularity is imported beer. There is a demand for 'premium beers' due to the increased awareness of the Japanese consumer, the growing number of senior citizens who appreciate quality over quantity, the gift market looking for new products and the need of manufacturers/distributors to look for product innovation to keep their market share.

6.2. Sales Outlets and Distribution Channels

The standard distribution channels are shown in Figure 6. Retailers include liquor shops, convenience stores, department stores, supermarkets, mass merchandisers, internet shops, and discount liquor shops. In order to sell alcoholic beverages, vendors must be licensed under the Liquor Tax Act (see Chapter 3).

The convenience store is a growing channel for alcoholic beverages purchase.⁵⁷ Both manufacturers and convenience store retailers are aware of this consumer trend and they are responding by launching convenience store only products. Traditional alcohol manufacturers and distributors are investing to improve their web presence in order to make up for declining sales through the traditional sales channels. In 2013, internet retailing (for example Rakuten and Amazon Japan) also started offering a wider variety of alcoholic beverages as consumers realise the ease of internet purchase.⁵⁸

When importing alcoholic beverages into Japan, foreign manufacturers sell to agents, importers or directly to wholesalers or, in some case, set up their own office in Japan. As shown in Figure 6, foreign manufacturers can also sell to domestic manufacturers, who will then distribute the alcoholic beverages. An example is Konishi Co Ltd⁵⁹ (established in 1550), a traditional brewer of Japanese sake and more recently also one of the importers of Belgian beers.

⁵⁶ Foodex Japan 2016, http://www.jma.or.jp/foodex/en/trends/today/alcoholic.html#topic_20141204

⁵⁷ Alcoholic Drinks in Japan, July 2014, Euromonitor international, <http://www.euromonitor.com/alcoholic-drinks-in-japan/report>

⁵⁸ Alcoholic Drinks in Japan, July 2014, Euromonitor international, <http://www.euromonitor.com/alcoholic-drinks-in-japan/report>

⁵⁹ <http://www.konishi.co.jp/>

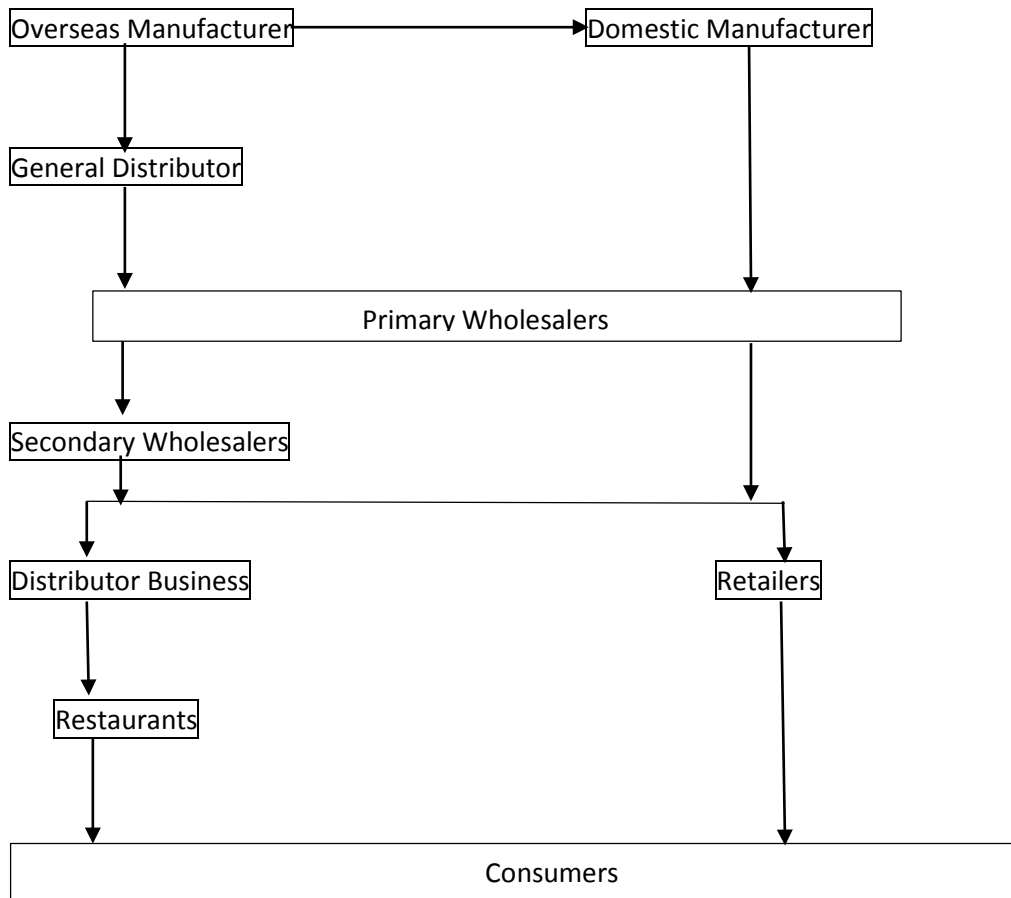


Fig.6: Distribution Channels⁶⁰

6.3. Issues for importing Alcoholic Beverages

There are some general considerations when importing alcoholic beverages in Japan. First of all, it is necessary to make sure that the product complies with the standards of the Food Sanitation Act and that all additives are approved under the Liquor Tax Act. Second extremely care must be taken to provide stable product quality, both in terms of the contents (the alcoholic beverage itself) and packaging. Japanese customers are very peculiar about perception, this means that products that have for example damage to the bottle, will be refused. Needless to say that product contamination (for example mould contamination) is unacceptable.

Another aspect is the marketing strategy and market positioning of the product. If for example you wish to market a daily consumption product, the price must be kept low. If you are marketing a high-end product, special attention must be paid to the packaging to convey a luxurious feeling. If you are introducing a new type of

⁶⁰ Guidebook for Export to Japan (Food Articles) 2011, Alcoholic Beverages, JETRO

product or a new life style concept, attention must be paid to properly explain the product, the concept and how to drink it.

As mentioned before in the report, imports of alcoholic beverages account for only 4% (2013) of the total Japanese market.⁶¹ The main reason is that, although the Japanese government has introduced a reduction on taxes, there still are non-tariff barriers (NTBs) to market access as well as a delay in implementing international standards for product definition. Some of the pending issues, as highlighted by the EBC's white paper⁶² are noted hereunder:

- **Tariffs (tax imposed on imported goods) and Taxes.** Following a WTO ruling (1997), Japan reduced the high taxes (compared to the domestic produced products) on imported alcoholic beverages and in 2002 permanently eliminated all tariffs on whiskey and brandy. For vodka, rum, liquors and gin there is temporary zero tariff that has to be renewed every year⁶³. However some issues remain **(1)** the Japanese government has expressed its intention to classify wine and Japanese sake in the same category and is thus ignoring the fundamental differences between both products. This would be in conflict with the WTO ruling which advises that spirits, beer, wines and intermediate products are placed in separate general categories, complemented by specific categories for country-specific products. **(2)** Japan imposes tariffs on both sparkling wine (182yen/litre)⁶⁴ and still wine (125yen/litre)⁶⁵. These tariffs are high compared to the zero tariff of whiskey, brandy, vodka, rum, liquors and gin. Furthermore, considering that there is almost no sparkling wine production in Japan, there is no logical reason on the higher tariff on sparkling wine versus still wine. **(3)** Japan's tax system for beer is based on malt content (3 categories - see chapter 3) instead of the usual alcohol content categories or just 1 heterogeneous beer category. This means that most European beers (which have usually a higher malt content) are classified in the highest category. As a result 0% malt beer or low malt beer make up almost 40% of the beer market. **(4)** The temporary zero tariff for vodka, rum, liquors and gin have to be renewed on a yearly basis.
- **Wine Definition.** The Japanese definition of 'wine' is broader than the one applied in the EU. This opens the door to inferior products, misleading Japanese consumers and bringing in unfair competition.
- **Traceability.** Traceability is a cornerstone of food safety policy and it plays an important role in the case of a product recall or withdrawal. In Japan, although it is recommended by the Ministry of Health, Labour and Welfare (MHLW), the use of lot codes is not compulsory under the Food Sanitation Law. Although most importers of EU alcoholic beverages make sure that the lot codes are in good order, some opportunistic traders import products with removed, tampered with or covered up lot codes. In 2014, the National Tax Office has issued a notice outlining concerns about the removal, tampering with or covering up of lot codes but the notice has no binding force to stop the import or sales.

⁶¹ Taking action - The EBC report on the Japanese Business Environment, 2014, European Business Council, EBC, <https://www.ebc-jp.com>

⁶² Taking action - The EBC report on the Japanese Business Environment, 2014, European Business Council, EBC, <https://www.ebc-jp.com>

⁶³ Japan Tariff Schedule, Japan Customs, <http://www.customs.go.jp>

⁶⁴ Japan Tariff Schedule, Japan Customs, <http://www.customs.go.jp>

⁶⁵ Japan Tariff Schedule, Japan Customs, <http://www.customs.go.jp>

- **Additives.** The list of additives approved by Japanese authorities is outdated and differs from the EU one. The process for getting 'new' additives approved is both time-consuming and costly.
- **Geographical Indicator (GI).** A geographical indication (GI) is a distinctive sign used to identify a product as originating in the territory of a particular country, region or locality where its quality, reputation or other characteristics is linked to its geographical origin.⁶⁶ In Japan, the lack of accurate GI definitions hinders the ability of European businesses to compete in the Japanese market.

Some of the above issues are being included in the EU-Japan FTA negotiations (see Chapter 3).

6.4. Key Factors for a Successful Market Entry

Selecting a distribution channel that is compatible with the EU company's export strategy is crucial. A traditional market entry strategy is an agreement with an agent or distributor, under which the agent or distributor does the domestic sales promotion, provides customer service, and optimally maintains an inventory. However, it is not always easy to arrange a suitable agent/distributor from the very start. Hence it is advisable to participate to a Japanese trade show in order to get a better understanding of the market, and to start a first contact with potential Japanese partners. In Japan, references and recommendations are a big help in doing business, so building up a network of contacts is an important factor that cannot be overlooked. When selecting suitable importers/distributors, one must try to eliminate unnecessary steps in the distribution chain in order to maintain competitive pricing. One way to do this is setting up a branch office in Japan in order to deliver directly to retailers and restaurants.

The alcoholic market in Japan is mature and very competitive. Hence, EU companies who want to enter the market should have an attractive product with a suitable marketing strategy, the right price setting, excellent business controls, dependable communication and the ability to produce and ship their products on time. Japanese companies respect long-lasting and mutually beneficial business relationships. It is important to communicate with the buyers on a frequent basis and maintain a close relationship with prospective clients.

Packaging and general presentation is important as it is considered part of the customer experience. For example, when targeting the gift market, packaging that conveys luxury will be crucial to a successful marketing strategy.

As further growth of the alcoholic beverage market is unlikely, being able to bring product innovation and differentiate from the competition are an important factor for a successful market entry. For alcoholic beverages, promoting itself through its national life style and culture, linked to country events organized in Japan, is the best way to build the product image. An example to this strategy are the Spain wine producers who have a reputation of good quality wine for reasonable prices. As described in 'The wine market in Japan : an assessment of challenged and opportunities for Central and East European producers' report⁶⁷, QUOTE 'The aggressive

⁶⁶ European Commission, Directorate-General for Trade, <http://ec.europa.eu/trade/>

⁶⁷ The wine market in Japan : an assessment of challenged and opportunities for Central and East European producers, Prepared by Maria Carla Dobronauteanu, July 2014, EU-Japan Centre for Industrial Cooperation

marketing and promotion of Spanish wines within Japan, supported by the Spanish export agency ICEX, has enforced the appeal of Spanish wines. Products are being advertised through a variety of channels, including Spanish-themed exhibitions at department stores, television commercials, and events such as the annual Spanish Gourmet Fair in Tokyo. The growing number of Spanish restaurants and the availability of products originating from Spain in many supermarkets have also served to raise awareness of Spanish goods as a whole, including wine.

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In recent years a new ‘health’ trend has developed, which translated into an increased market share of low-malt beers and, alcohol- and calorie-free beers. If there is scientific proof that the EU product has some health benefits, highlighting these benefits should be part of the marketing strategy.

7. Useful Information

7.1. List of Relevant Ministries and Government Agencies

Consumer Affairs Agency	http://www.caa.go.jp
Japan Customs	http://www.customs.go.jp
JETRO	http://www.jetro.go.jp
Ministry of Agriculture, Forestry and Fisheries (MAFF)	http://www.maff.go.jp
METI	http://www.meti.go.jp
Ministry of Health, Labour and Welfare (MHLW)	http://www.mhlw.go.jp
MOF	http://www.mof.go.jp
National Tax Agency	http://www.nta.go.jp/
Ministry of Environment	http://www.env.go.jp

7.2. List of Relevant Business Organizations

European Business Council	http://www.ebc-jp.com
Brewers Association of Japan	http://www.brewers.or.jp/
Japan Wine and Spirits Importers' Association	http://www.youshu-yunyu.org/
Japan Spirits & Liqueurs Makers Association	http://www.yoshu.or.jp/
Japan Sake and Shochu Makers Association	http://www.japansake.or.jp/

7.3. List of Trade Fairs and Exhibitions

The main trade fair is the Foodex exhibition in Tokyo. Other trade fairs are also listed in table hereunder. More trade fairs can be researched at the JETRO website.⁶⁸

Name	Location	Website
Asian Food Show	Osaka	http://www.asianfoodshow.com
Dessert Sweets & Drinks Festival Kansai	Osaka	http://www.fabex.jp/
Foodex	Tokyo	http://www.jma.or.jp/foodex/en/
Food Selection	Tokyo	http://food-selection.com/
Organic Expo	Tokyo	http://organic-expo.jp/index.php

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8. Annexes

Annex 1: Bibliography and Websites

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