

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY  
USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT  
POLICY

Voluntary    Public

**Date:** 4/13/2018

**GAIN Report Number:** JA8023

## Japan

**Post:** Tokyo

### Japan Agreements Leave U.S. Wine Behind

**Report Categories:**

Agricultural Situation

Wine

**Approved By:**

Gary Meyer

**Prepared By:**

Jess Paulson and Tomohiro Kurai

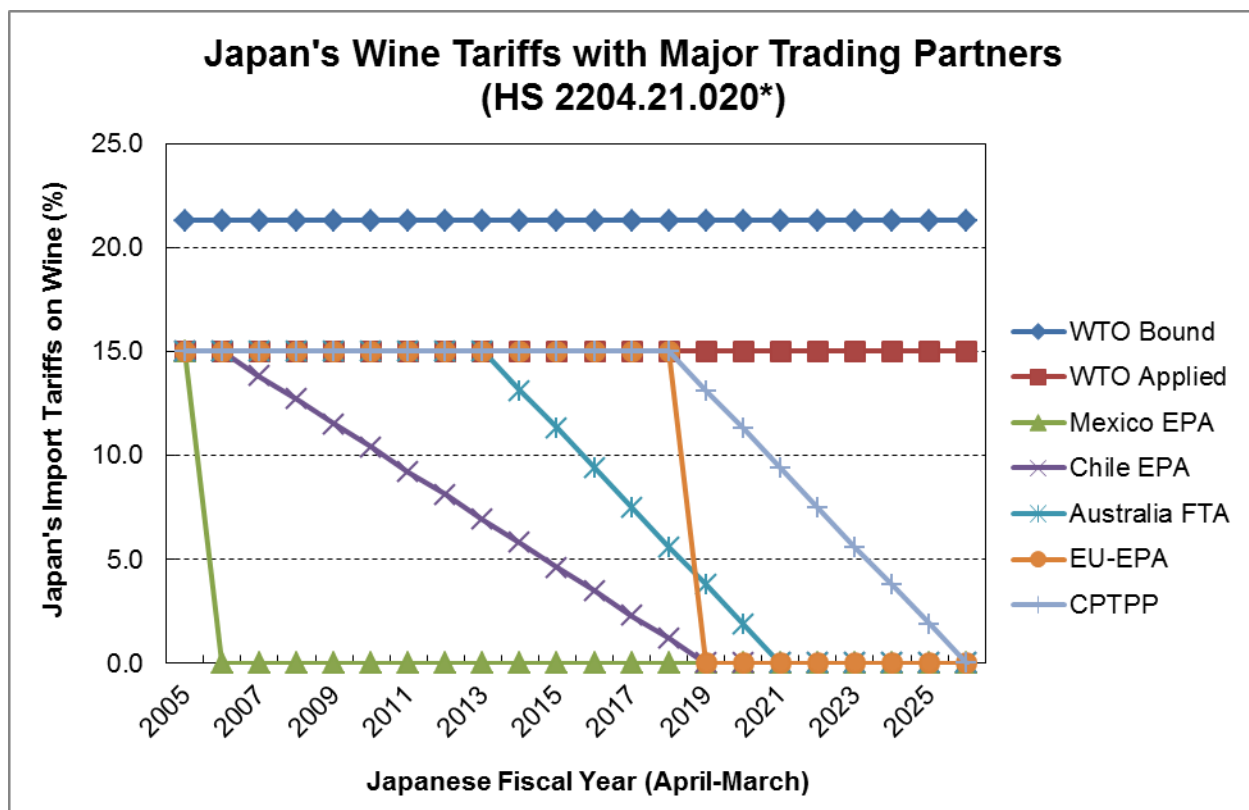
**Report Highlights:**

A free trade agreement (FTA) between Japan and several countries comprising the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP), as well as a soon-to-be effectuated FTA between Japan and the European Union (EU) will lead to increased market competition for wine and wine product exports to Japan. In 2017, Japan imported \$1.6 billion in wine products (classified under HS code 2204), of which 7.6 percent (approximately \$123 million) was from the United States.

Key words: JA8023, wine, Japan, EU, EPA, CPTPP, tariff

## General Information:

On December 8, 2017, Japan and the European Union (EU) concluded negotiations on the Japan-EU Economic Partnership Agreement (EPA). Earlier in 2017, Japan's Ministry of Finance (MOF) published on its [website](#) a summary of the tariff reductions for several EU alcoholic products (including wine products) which provide greater concessions than those Japan made in the Trans-Pacific Partnership (TPP) agreement negotiation (now completed as the new Comprehensive and Progressive Agreement for Trans-Pacific Partnership (herein referred to as CPTPP<sup>1</sup>)). Japan's TPP concessions<sup>2</sup> appear to remain unchanged in the CPTPP agreement. This paper will focus on wine products, excluding other alcoholic beverages such as beer and spirits (e.g. whiskey and brandy), as these alcoholic beverages are already imported duty free.



\* HS2204.21.020 covers bottled wine of grapes, other than sparkling, whose containers are not more than 2 liters, and represents the greatest disparity after implementation.  
(**Note:** This chart assumes implementation of the EU EPA and the CPTPP in April 2019.)

### I. Wine (other than sparkling, fortified, or aromatic wine)

<sup>1</sup> The CPTPP countries are: Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam.

<sup>2</sup> Any concessions made to the United States under the TPP have been removed from data included in this report.

## A) Duty Treatment for Wine

Under World Trade Organization (WTO) most-favored nation (MFN) treatment, Japan applies either the lower of a 15 percent ad valorem tariff or 125 Japanese Yen (JPY) per liter (L) duty (with a minimum duty of 67 JPY/L) to wine.

Table 1 – Japan’s Duty for Bottled Wine

HS Code	Product	WTO MFN Duty	Japan-EU EPA	TPP	Other Bilateral Agreement
220421020	Wine of Fresh Grapes (Other Than Sparkling Wine), Containers of Not More than 2 Liters	15% or 125 yen/L, whichever is less, subject to a minimum customs duty of 67 yen/L	Immediate elimination	<p>Year 1: 10% or 125 yen/L, whichever is less, subject to a minimum customs duty of 44.67 yen/L</p> <p>↓ decrease annually*</p> <p>Year 8: 0%</p>	<p>1. Japan-Mexico EPA 0% since 2005</p> <p>2. Japan-Chile EPA 2007: 13.8% ↓ decreases annually* 2019: 0</p>

						3. Ja pa n- A us tral ia EP A 2	%
						015: 13.1 %	
						↓ de cr ea se s an nu all y*	2

Source: Japan’s Ministry of Finance

\*Tariff concessions in Japan take place April 1 of each year.

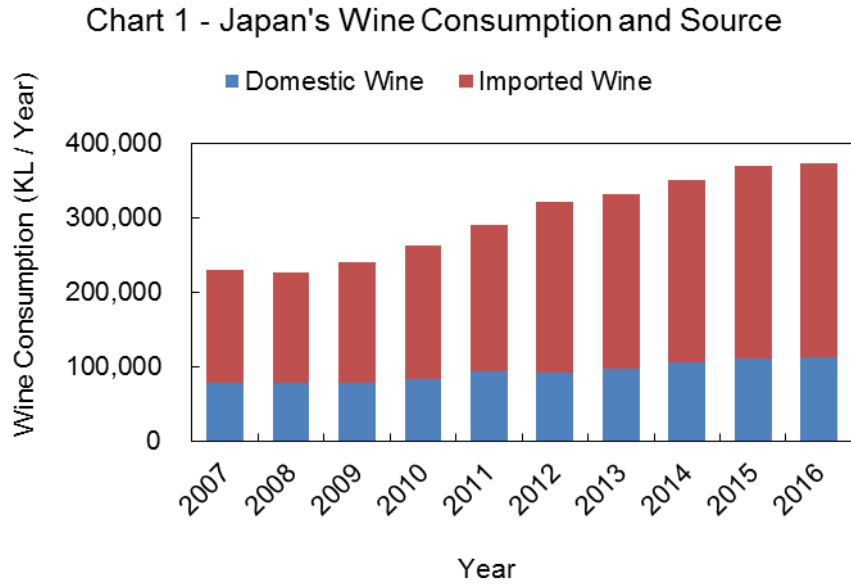
Under the Japan-EU EPA, the customs duty levied on wine will be eliminated immediately upon effectuation.

Under the CPTPP agreement, the application of the lower of an ad-valorem tariff or the specific rate duty remains unchanged. However, the ad-valorem tariff will be reduced to 10 percent on effectuation, followed by equal annual reductions until the tariff is eliminated in Year 8. Although the specific rate duty of 125 JPY/L will remain unchanged until the tariff is eliminated in Year 8, the minimum custom duty of 67 JPY/L will be reduced to 44.67 JPY/L in the first year, and will be reduced in equal increments annually until the tariff is eliminated in Year 8 (See Table 1 above).

It should be noted that Australia, Chile, and Mexico have already reached EPA agreements with Japan and their wines are imported at lower tariff rates compared to competitors. Mexican wine exports became tariff-free in 2005. Chilean wine will be tariff-free in 2019 and wine from Australia will be tariff-free from 2021.

**B) The Wine Market in Japan**

Japan produced 112,112 kilo liters (KL) of wine in 2016, accounting for 30 percent of national consumption. Japan imported a total of approximately \$1.6 billion of wine products in 2017, of which \$978 million was bottled wine (other than sparkling, fortified, aromatic wine, or bulk wine). Moreover, Japan's imports of wine have increased annually since 2008 (see chart 1 below).

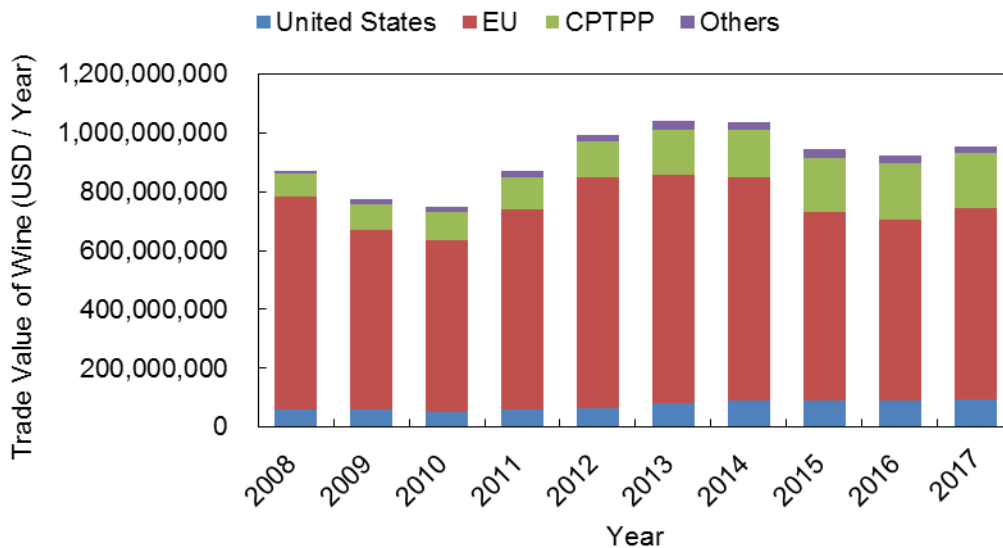


Source: National Tax Agency

Note: This chart includes multiple types of wine (such as sparkling wine)

In 2017, the United States was the fourth largest supplier of wine (in value) after France, Chile and Italy, with exports valued at approximately \$104 million (accounting for 10.6 percent of Japanese imports).

Chart 2 - Sources and Values of Japan's Wine Import



The EU was the largest wine exporter to Japan in 2017, with a 66.3 percent share of imports. With regard to EU exports, France was the leading supplier, followed by Italy and Spain. CPTPP member countries had an import share of 20.6 percent in 2017, of which Chile contributed for nearly 80 percent. Chile has increased its market share since 2007 when it concluded an EPA agreement with Japan and began trade under progressively lower tariffs. In 2015, Chile increased its trade volume nearly 5-fold from 2007 to become the top supplier of bottled wine to Japan by volume and second in value to France.

## II. Semi-Bulk and Bulk Wine (HS 220422 and HS 220429)

### A) Tariffs for Semi-Bulk and Bulk Wine

Under WTO MFN treatment, Japan applies the lower of a 15 percent ad-valorem tariff or 125 JPY/L in duty, with a minimum duty of 67 JPY/L to semi-bulk wine, defined in this paper as wine in containers greater than 2L but not more than 10 L (HS 2204.22.000) and wine in containers greater than 2L but not more than 150L (HS 2204.29.010). For wine in containers greater than 150L (HS 2204.29.090, hereafter called bulk wine), Japan applies a tariff of 45 JPY/L under WTO MFN treatment.

Under the Japan-EU EPA, the tariff applied to both semi-bulk and bulk wine will be eliminated immediately upon effectuation.

The CPTPP agreement maintains the system of levying the lower of an ad-valorem tariff or a specific

duty of 125 JPY/L for semi-bulk wine. However, the ad-valorem tariff will fall to 10 percent upon effectuation, followed by equal annual reductions until the tariff is eliminated in Year 8. Although the specific duty rate will remain unchanged until the tariff is eliminated in Year 8, the minimum duty of 67 JPY/L will be reduced to 44.67 JPY/L upon effectuation, and will be reduced in equal steps annually until the tariff is eliminated in Year 8.

The CPTPP agreement is expected to eliminate tariff for bulk wine immediately upon effectuation (See Table 2 below).

Table 2 – Japan’s Duty for Semi-Bulk and Bulk Wines

HS Code	Product	WTO MFN Duty	Japan-EU EPA	TPP
22042 2000	Wine of Fresh Grapes Holding Over 2 Liters: In containers holding 150 L or less	15% or 125 yen/L , which ever is less, subje ct to a mini mum custo ms duty of 67 yen/L	Immediate elimination	Year 1: 10% or 125 yen/L, whichever is less, subject to a minimum customs duty of 44.67 yen/L ↓ decreases annually* Year 8: 0%
22042 9010	Wine of Fresh Grapes Holding Over 2 Liters: In containers holding 150 L or less	15% or 125 yen/L , which ever is less, subje ct to a mini mum	Immediate elimination	Year 1: 10% or 125 yen/L, whichever is less, subject to a minimum customs duty of 44.67 yen/L ↓ decreases annually* Year 8: 0%

		custo ms duty of 67 yen/L		
22042 9090	Wine of Fresh Grapes Holding Over 2 Liters: Other	45 yen/L	Immediate elimination	Immediate elimination

Source: Japan's Ministry of Finance

\*Tariff concession in Japan is to take place April 01 of each year.

\*\* Japan also provides tariff concessions for other types of wines to EPA partners (such as Chile) that are not included in this table.

## B) Japan's Bulk and Semi-Bulk Wine Market

Japan imported approximately \$27.3 million in semi-bulk wine in 2017, of which approximately 2.3 percent (\$0.6 million) was from the United States. The leading supplier was the EU-28 (primarily France and Spain) with a combined market share of 60.1 percent, followed by CPTPP members (primarily Chile and Australia) with a market share of 33.9 percent.

Japan imported approximately \$50.1 million in bulk wine in 2017. The United States was the second largest supplier after Chile, with exports at about \$16.3 million and 32.5 percent of the Japanese market in 2017. The leading supplier was from CPTPP members (primarily Chile and Australia) with a market share of 56.6 percent. The EU-28 supplied 5.9 percent of Japanese market share in 2017.

## III. Other types of wine

Japan applies the WTO MFN duty to other types of wine (such as sparkling wine) as well as eliminating tariffs under the Japan-EU EPA and the CPTPP as described in Table 3 below. Japan's total trade volume for these wines in 2017 was approximately 47.2 million MT, valued at \$576 million. The trade share of the United States for these products was 0.38 percent in 2017. The EU led with 91.8 percent of imports, followed by CPTPP countries which accounted for 6.4 percent.

Table 3 – Japan's Duty for Other Types of Wine

HS Code	Product	WTO MFN Duty	Japan-EU EPA	TPP
2204100 00	Sparkling wine of fresh grapes	182 yen/L	Immediate elimination	Year 1: 121.33 yen/L ↓ decreases annually* Year 8: 0%
2204210 10	Sherry, port and other fortified wines	112 yen/L	Immediate elimination	Decreases annually* Year 6: 0%



220430200	Other grape must: Of an alcoholic strength by volume of more than 1% vol.	45 yen/L	Immediate elimination	Decreases annually*  Year 4: 0%
220510000	Vermouth and other wine flavored with plants or aromatic substances: In containers holding 2 L or less	69.30 yen/L	Immediate elimination	Decreases annually*  Year 11: 0%
220590200	Vermouth and other wine flavored with plants or aromatic substances: Other	69.30 yen/L	Immediate elimination	Immediate elimination

Source: Japan's Ministry of Finance

\*Tariff concessions in Japan take place on April 01 of each year.

\*\* Japan also provides tariff concessions for other types of wines to EPA partners such as Chile that are omitted from this table.

Source: Global Trade Atlas

#### IV. Non-Tariff Issues Impacting Wine Exports to Japan

Under the Japan-EU EPA, Japan and the EU agreed to review unapproved wine additives that are approved in one another's markets. This exercise will potentially result in the approval of an additional 25 and 28 wine additives in Japan and the EU, respectively. However, the lists of wine additives for review are not currently available to the public.

Japan and the EU have also agreed to recognize many of each other's registered geographical indications (GIs) once their trade agreement is effectuated. Japan has recognized 139 EU-proposed GIs for wine, spirits, and other alcoholic beverages (see [JA8003](#) for further details), which will prevent the use of some protected terms in Japan.