

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

L/2593/Add.12  
28 June 1966

Limited Distribution

---

Original: English

## STATE-TRADING ENTERPRISES

### Notifications Pursuant to Article XVII:4(a)

#### Addendum

#### JAPAN

#### Enumeration of State-trading enterprises

- A. Rice, wheat and barley
- B. Tobacco and salt
- C. Alcohol, of which alcoholic content is or exceeds 90 per cent
- D. Opium
- E. Milk products

#### A. RICE, WHEAT AND BARLEY

I. The imports and exports of rice, wheat and barley are operated under the "Food Control".

#### II. Reason and purpose for introducing and maintaining food control

The Government is authorized to adjust demand, supply and price of rice, wheat and barley under the provisions of the Food Management Law of 1942 in order to secure the nation's food supply and to stabilize the national economy, and ultimately to stabilize the household budget of consumers and the farm economy of producers. This means that all domestic rice, excluding that retained by the farmer for consumption by his family, is purchased by the Government. Domestic wheat and barley are also purchased by the Government up to an unlimited amount, on application by the farmer. Rice, wheat and barley thus purchased are either made available to consumers or sold to processors of rice, wheat and barley. All imported rice, wheat and barley are purchased under the same Law by the Government because they are administered together with domestic products.

### III. Description of the functioning of the State-trading enterprise

The Food Agency does not directly undertake the import and export of rice, wheat and barley. Direct import and export transactions are carried out by private traders under Government permit. Rice, wheat and barley imported by private traders under the permit must be sold to the Government, as a rule. There is no competition between private traders and the State-trading enterprise.

Import requirements of rice are determined by computing the shortage in the supply of rice; this is determined by subtracting the amount of Government purchases of domestic rice plus the stock at the beginning of the period from the total demand, obtained by adding the required stock at the end of the period to the demand for rice, computed on the basis of the rice distribution plan. Import requirements of wheat and barley are determined in the same manner as for rice, based on demand computed according to the demand for wheat and barley products.

Government selling prices of rice, wheat and barley are fixed by deducting the marketing costs from the consumer prices which are determined with a view to ensuring the consumer's family budget. Accordingly, Government selling prices of the imported commodities are mainly determined by considering the quality difference between imported commodities and domestic products. As imported rice, in fact, is inferior to domestic rice from the standpoint of Japanese consumers' taste, the Government selling price of imported rice is set generally lower than that of domestic rice because of its inferior quality. The Government selling price of imported wheat is set somewhat higher than that of domestic wheat because quality of the imported wheat is superior to that of domestic wheat.

No long-term contracts are concluded.

### IV. Statistical information

For statistics on imports, exports and production of rice, wheat and barley, see Annex I.

#### B. TOBACCO AND SALT

I. The Japan Monopoly Corporation (hereinafter referred to as "the Corporation") holds the monopoly for tobacco and salt.

### II. Reason and purpose for maintaining the Government monopoly

- (a) Tobacco: The tobacco monopoly is maintained for the purpose of securing the fiscal revenue.
- (b) Salt: The salt monopoly is maintained for the purpose of securing a steady supply of salt to consumers.

### III. Description of the functioning of the State-trading enterprise

- (a) Tobacco: The right to produce manufactured tobacco belongs exclusively to the Corporation. Leaf tobacco and manufactured tobacco are imported solely by the Corporation or a person entrusted to do so by the Corporation. Tobacco thus imported is exempted from duties. Leaf tobacco and manufactured tobacco are exported by the Corporation as well as by any person having purchased leaf tobacco and manufactured tobacco from the Corporation for the purpose of export.

The amount of imports of manufactured tobacco and leaf tobacco is decided by the Corporation on the basis of the domestic demand-supply programme. Leaf tobacco is imported chiefly as aroma and taste material to be mixed with domestic leaf tobacco.

The Corporation determines yearly the type of tobacco to be cultivated as well as the acreage of cultivation, and makes a public announcement thereof in advance, and any person who intends to cultivate tobacco applies to the Corporation for a permission.

The Corporation purchases all domestic leaf tobacco. The purchase price of domestic leaf tobacco is fixed annually with a view to enabling its growers to earn adequate profits, taking into account the cost of production, current commodity prices and other economic factors, with the advice of the "Tobacco Cultivation Council" composed of learned and experienced persons as well as representatives of growers.

As for leaf tobacco of foreign origin, it is purchased at the market price. The sale price of leaf tobacco for export is fixed by adding the amount of the expenses to be borne by the Corporation and a certain margin to the purchase price.

The retail price of manufactured tobacco is fixed by the Corporation subject to the approval of the Minister of Finance, within the scope of the maximum price provided for in the Law Concerning Determination of the Fixed Price of Manufactured Tobacco. In determining the price, monopoly profits (including consumption tax) and handling charges for tobacco retailers are added to the sum of production and marketing costs. The retail prices of imported manufactured tobacco are fixed by the Corporation subject to the approval of the Minister of Finance, taking account of such factors as the percentage of the monopoly profits (including tobacco consumption tax) to be gained from the sales of domestically manufactured tobacco and the handling charges for tobacco retailers.

The sale price of manufactured tobacco for export is fixed by the Corporation by adding a certain margin to the total cost price.

Where an individual imports manufactured tobacco for his personal use with the Corporation's permission, a duty of 355 per cent (200 per cent for cigars) is levied on the amount in excess of a certain quantity. The amount collected is close to the incidence in the case of manufactured tobacco imported and sold by the Corporation.

- (b) Salt: Salt is manufactured solely by persons authorized by the Corporation. The Corporation, in principle, purchases all salt thus manufactured. Salt is imported solely by the Corporation or a person entrusted to do so by the Corporation. Salt thus imported is exempted from duties. Salt may be exported by the Corporation as well as by persons having purchased salt for the purpose of export. In fact, however, no salt is exported.

Salt for common use (as foodstuff) is directly imported by the Corporation from producers abroad after the Corporation has decided on the import volume on the basis of the demand and supply programme for salt in Japan. Salt to be used as material for soda industries may be imported by soda makers entrusted to do so by the Corporation.

The purchase price of domestically produced salt is determined by the Corporation on the basis of production costs, taking into account the advice of the "Council for the Determination of the Purchase Price of Salt" composed of learned and experienced persons, representatives of salt (manufacturing) industries and those of the consumers.

As for imported salt, it is purchased at the market price. The sale price of salt is fixed by the Corporation subject to the approval of the Minister of Finance.

#### IV. Statistical information

For statistics on imports, exports and production of tobacco and salt, see Annex II.

#### V. Reasons why no foreign trade takes place

No salt is exported because of its comparatively high cost of production.

#### VI. Additional information

None.

C. ALCOHOL, OF WHICH ALCOHOLIC CONTENT IS OR EXCEEDS 90 PER CENT

I. The Ministry of International Trade and Industry (hereinafter referred to as MITI) holds a monopoly for the production, sale and import of alcohol, of which alcoholic content is or exceeds 90 per cent (hereinafter referred to as "alcohol"). This Government monopoly on alcohol is operated on a so-called self-paying basis.

II. Reason and purpose for maintaining the Government monopoly

The alcohol monopoly has been maintained since 1937 with a view to achieving the following objectives:

- (a) to ensure the smooth and stable supply of alcohol to consumers;
- (b) to regulate production and sales of alcohol for the purpose of securing fiscal revenue;
- (c) to promote the agricultural economy through the purchase of sweet-potatoes as raw materials for alcohol.

Alcohol is produced in the State-operated and private factories and sold to the consumers at a reasonable price. The amount of production is determined by the Government as the administrator of the alcohol monopoly, taking into account its demand and supply situation.

III. Description of the functioning of the State-trading enterprises

There are almost no exports of alcohol, since it is produced in State-operated factories or in private factories authorized to do so by the Government, taking into account the balance between demand and supply. A small amount of alcohol is exported to Ryukyu on a private basis.

Alcohol is imported solely by the Government or by persons entrusted to do so by the Government. There are no particular restrictions on its export. Alcohol is imported as much as necessary in such special situations as the domestic production falls short of its demand.

The Government purchases all alcohol produced. The purchase price is fixed by taking into account the cost of production and adequate profits for the manufacturers. The export price is fixed by adding the amount of the necessary expenses of the Government and a certain margin to the purchase price. As for imported alcohol, it is purchased at the market price.

IV. Statistical information

As to statistics on import, export and domestic production of alcohol, see Annex III attached hereto.

V. Reasons why no foreign trade takes place

Since there is enough domestic production to meet the demand, there are no imports of alcohol except as indicated in section III above.

VI. Additional information

None.

D. OPIUM

I. The Ministry of Health and Welfare holds the monopoly for opium.

II. Reason and purpose for maintaining the government monopoly

The purpose of monopoly is to regulate supply of opium for medical and scientific purposes, as well as exercise necessary control over cultivation of opium poppy, transfer, obtainment (by transfer) and possession of opium and poppy straw.

III. Description of the functioning of the State-trading enterprises

The rights to import and export opium belong exclusively to the Government or a person entrusted to do so by the Government.

The Government purchases all opium produced in Japan.

The Minister of Health and Welfare fixes the prices for purchase of opium to be surrendered, taking into consideration the condition of production by opium poppy cultivators, import price of opium and other economic conditions. As for imported opium, it is purchased at market price.

IV. Statistical information

As to statistics on imports, exports and domestic production of opium, see Annex IV attached hereto.

## E. MILK PRODUCTS

I. The following products are designated for the State-trading enterprise as from April 1966:- butter, sugared condensed wholemilk, sugared condensed skimmed milk, skimmed milk powder, wholemilk powder, butter-milk powder and whey powder.

### II. Reason and purpose for introducing of the State-trading enterprise

The Livestock Industry Promotion Corporation, in accordance with the Act for Temporary Measure concerning Deficiency Payment to Producers of Manufacturing Milk enacted in June 1965, has been entrusted to import the main milk products, as mentioned above, as from April 1966.

The objectives of this measure are to make more effective the deficiency payment system to producers of milk for manufacturing milk products and to contribute to stabilization of domestic consumption, by stabilizing demand and supply of the main milk products and their prices, through adjusting time and quantity of importation and sale of the main milk products so as to meet the changes in domestic supply and demand situations.

### III. Description of the functioning of the State-trading enterprise

As far as trade is concerned, the function of the Livestock Industry Promotion Corporation is limited to importation only. Importation of the main milk products is to be exclusively entrusted to the Corporation as a rule. In practice, import transaction will be carried out by the Corporation itself and/or those entrusted by the Corporation. However, private enterprises are to be permitted to import these products only in cases where they are used for such a particular utilization as provided for in the Cabinet Order.

If market prices of the milk products<sup>1</sup> are under such conditions as to rise or likely to rise above the target stabilization price fixed by the Minister of Agriculture, the Corporation is to undertake importation of the main milk products by the competition tenders as a rule and in a non-discriminatory treatment. The Corporation is to sell the imported milk products in the market by the competition tenders as a rule, if market prices of the milk products<sup>1</sup> are under such conditions as to rise or likely to rise above a price higher than the target stabilization price by a given amount. It is not intended to make any long-term contract with respect to the importation of the main milk products.

---

<sup>1</sup>The following products are designated under the Livestock Products Price Stabilization Act, enacted in 1961; butter, sugared condensed wholemilk, sugared condensed skimmed milk powder.

ANNEX I

(Calendar Year)

	Year	Imports		Exports		Domestic Production ( '000 tons)
		Volume ( '000 tons)	Value (\$ '000)	Volume ( '000 tons)	Value (\$ '000)	
Rice	1962	178	23,817	0	63	13,009
	1963	222	28,733	0	63	12,812
	1964	415	58,344	0	25	12,584
Wheat	1962	2,562	180,928	0	15	1,630
	1963	3,178	217,408	-	-	716
	1964	3,592	261,999	-	-	1,244
Barley	1962	-	-	-	-	1,023
	1963	172	9,772	0	0	647
	1964	471	29,294	-	-	812

ANNEX IILeaf tobacco

Year	Imports*		Exports*		Domestic** Production ( '000 kgs.)
	Quantity ( '000 kgs.)	Value (\$ '000)	Quantity ( '000 kgs.)	Value (\$ '000)	
1962	17,509	32,263	7,494	6,921	139,080
1963	15,824	30,680	6,941	7,210	157,490
1964	29,091	47,085	6,952	7,832	212,168

Manufactured tobacco

Year	Imports*		Exports*		Domestic** Production (mil. pieces)
	Quantity <sup>1</sup> (mil. pieces)	Value (\$ '000)	Quantity <sup>1</sup> (mil. pieces)	Value (\$ '000)	
1962	1,288	3,081	11	43	147,491
1963	1,406	5,010	11	68	151,174
1964	1,546	6,294	49 <sup>2</sup>	65	162,899

Salt

Year	Imports*		Exports*		Domestic** Production ( '000 tons)
	Quantity ( '000 tons)	Value (\$ '000)	Quantity ( '000 tons)	Value (\$ '000)	
1962	2,653	25,038	0	0	879
1963	2,948	26,248	0	0	747
1964	3,641	35,313	0	0	893

<sup>1</sup>The above figures on quantity are only for cigarettes (including cigarettes with mouth-pieces and cigarettes with filter-tips), excluding cut tobacco and cigars.

<sup>2</sup>Estimated figures

\* Calendar Year

\*\* Fiscal Year

ANNEX IIIAlcohol, of which alcoholic content is or exceeds 90 per cent

	Imports		Exports		Domestic Production ( '000 litres)
	Quantity ( '000 litres)	Value (\$'000)	Quantity ( '000 litres)	Value (\$'000)	
1962	-	-	50	22	49,890
1963	-	-	46	20	49,559
1964	30	8	42	18	59,873

(Calendar Year)

ANNEX IV

Raw Opium

Year	Imports		Exports		Domestic Production (kgs.)
	Quantity (kgs.)	Value (\$ '000)	Quantity (kgs.)	Value (\$ '000)	
1962	37,160	828	-	-	1,944
1963	48,481	805	-	-	468
1964	50,481	768	-	-	692