

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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## STATE TRADING

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

#### Addendum

#### JAPAN

#### Enumeration of State-trading enterprises

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

#### A. Grains

I. Of grains, the export and import of rice, wheat and barley (including naked barley) are operated under the State-trading enterprises.

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

The Government is authorized to adjust demand and supply and the prices of rice, wheat and barley under the provisions of the Food Management Law of 1942 in order to secure the nation's food supply, to stabilize the national economy, and ultimately to secure their reproduction and to stabilize the household budget of consumers.

As a part of the Food Management System, the imports of rice, wheat and barley are controlled by the Government to ensure proper and smooth operation of the System.

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

1. The Government (Food Agency) does not directly undertake the import and export of rice, wheat and barley. Actual import and export transactions are carried out, under Government permit, by private traders who are enrolled to the Government as importers of these products. Rice, wheat and barley thus imported must be sold to the Government.

2. Annual import requirements of rice, wheat and barley are determined on the basis of the Supply and Demand Programme which is computed after giving due consideration to the demand for them, the amount of them purchasable for the Government from domestic producers, etc.

3. The Government selling prices for imported rice, wheat and barley are determined on the basis of the selling prices of domestic ones, taking into account the quality differential between the domestic and the imported products.

As regards imported wheat, the Government has been carrying out the measure to adjust the price differentials among the types and qualities of their government selling prices at the level near to those among the types and qualities of wheat recorded at the time of importation.

#### IV. Statistics

(Unit: '000 tons)

	Fiscal year	Production	Import		Export	
			Total	For food	Total	For food
Rice	1965	12,409	1,052	1,052	0	0
	1966	12,745	679	679	0	0
	1967	14,453	364	364	0	0
Wheat	1965	1,287	3,532	2,620	88	88
	1966	1,024	4,103	3,160	79	79
	1967	997	4,238	3,005	87	87
Barley	1965	1,234	512	103	0	0
	1966	1,105	598	85	0	0
	1967	1,032	666	26	2	2

Notes: 1. For rice, the figures for "production" show those of unpolished rice, but the figures for "import" show polished rice.

2. The figures for "export" of wheat represent those of wheat equivalent of wheat flour.

## 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 who has purchased leaf tobacco and manufactured tobacco from the Corporation for the purpose of export.

The amount of import 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 import is decided on the basis of commercial consideration.

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, on the basis of import prices, market costs, handling charges and the amount equivalent to the monopoly profits (including tobacco consumption tax) to be gained from the sales of domestically-manufactured tobacco.

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

When an individual imports manufactured tobacco for his personal use with the Corporation's permission, a duty of 355 per cent for cigarettes and 200 per cent for cigars is levied on the amount in excess of a certain quantity. A flat rate of ¥ 5 per piece is applied in case of cigarettes brought in Japan by passengers. The amount collected in such a way reaches nearly 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 who have purchased salt for the purpose of export. In fact, however, no salt has been exported.

Salt for common use (as foodstuff) is directly imported by the Corporation from producers abroad after the Corporation has decided 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 can 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 cost, 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 prices of salt are 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.

V. Reasons why no foreign trade takes place

No salt has been exported because of its comparatively high cost of production.

VI. Additional information

None.

ANNEX

Leaf tobacco

Fiscal year	Imports		Exports		Domestic production ('000 kgs.)
	Quantity ('000 kgs.)	Value (\$'000)	Quantity ('000 kgs.)	Value (\$'000)	
1966	25,874	52,528	7,586	8,456	197,471
1967	27,010	52,147	5,011	5,599	208,824
1968	31,994	61,893	7,244	8,087	193,398

Manufactured tobacco

Fiscal year	Imports		Exports		Domestic production (million pieces)
	Quantity (million pieces)	Value (\$'000)	Quantity (million pieces)	Value (\$'000)	
1966	1,161	5,110	334	2,100	179,778
1967	1,601	7,427	404	2,382	194,991
1968	1,535	7,342	462	2,680	196,470

The above figures on quantity are only for cigarettes (including cigarettes with mouthpieces and cigarettes with filter-tips), excluding cut tobacco and cigars.

Salt

Fiscal year	Imports		Exports		Domestic production ('000 tons)
	Quantity ('000 tons)	Value (\$'000)	Quantity ('000 tons)	Value (\$'000)	
1966	3,969	41,400	0	0	370
1967	4,486	45,077	0	0	985
1968	5,167	51,737	0	0	938

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 appropriate profits for the manufacturers. The export price is also 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.

There is no bilateral agreement on alcohol.

IV. Statistical information

Fiscal year	Import		Export		Domestic production	
	Quantity (kgs.)	Value (\$'000)	Quantity (kgs.)	Value (\$'000)	Quantity (kgs.)	Value (\$'000)
1966	0	0	81	17	65,790	11,974
1967	0	0	105	22	69,160	13,434
1968	0	0	116	24	79,240	14,431

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.

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 account of 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

Fiscal year	Imports		Exports		Domestic production
	Quantity (kgs.)	Value (\$'000)	Quantity (kgs.)	Value (\$'000)	Quantity (kgs.)
1965	49,200	749	-	-	159
1966	51,000	725	-	-	129
1967	48,640	711	-	-	92
1968	60,000	907	-	-	89

E. Milk Products

I. The following products are operated under the State-trading enterprise: 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, established under 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 scheme 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 is to be carried out by the Corporation itself and/or those so entrusted by the Corporation. However, any enterprises other than the Corporation 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 (use for school lunch programme, animal feed, material for processing trade, international sample fair and international ships and aircrafts).

If market prices of the milk products 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. The Corporation is to sell the imported milk products in the market, if market prices of the main milk products are under such conditions as to rise or likely to rise above a price higher than the target stabilization price by a given amount. The Corporation has been operated in accordance with commercial consideration.

IV. Statistics

(Unit: '000 tons)

	Calendar year	Production	Import	Export
Butter	1965	24	1	0
	1966	25	7	0
	1967	24	17	0
Sugared condensed wholemilk	1965	34	0	-
	1966	32	-	-
	1967	34	0	-
Sugared condensed skimmed milk	1965	26	-	-
	1966	23	0	-
	1967	22	-	-
Skimmed milk powder	1965	25	64	-
	1966	26	69	-
	1967	30	98	-
Wholemilk powder	1965	26	0	-
	1966	28	2	-
	1967	29	7	-
Whey powder	1965	-	3	-
	1966	-	4	-
	1967	-	5	-
Butter-milk powder	1965	-	-	-
	1966	-	-	-
	1967	-	-	-