

GENERAL AGREEMENT ON TARIFFS AND TRADE

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STATE TRADING

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Addendum

JAPAN

Enumeration of State-trading enterprises

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

A. Rice, wheat and barley

I. 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 State-trading enterprises

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 (Law Reg. No. 40) 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 exports and 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. In general the Government (Food Agency) does not directly undertake the import and export of rice, wheat and barley, but 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, but, in case of the export of rice, it is done by agents directly entrusted by the Government in addition to those private traders above.

2. (i) With the appearance of surplus of rice, the exportation of rice since fiscal year 1969 had been carried out in response to the strong requests of the developing countries which were short of food. However, no new export contract of rice was concluded in fiscal year 1974, because of no surplus.

The exportation of rice was undertaken in the form of loans and grants. In case of the loans, it was carried out by the agents directly entrusted by the Government in accordance with the intergovernmental agreement, but as for the grant, it was done by other agents (i.e. private traders) designated by the Government in accordance with the intergovernmental agreements.

(ii) Annual import requirements of wheat and barley are determined giving due consideration to the factors such as the demand for them, the amount of them purchasable for the Government from domestic producers, etc. The importation of wheat and barley is carried out by the authorized private traders which are enrolled to the government, under the Government permit, and the total amount is sold to the Government at each port of unloading.

3. The Government selling prices for imported wheat and barley are determined on the basis of their import prices, the consumer's prices of polished rice and other factors, taking into account the stabilization of consumer's household economy.

4. Concerning rice, wheat and barley, the conclusion of the contracts under which the Government becomes obliged to purchase those products over a long period is not made at the moment.

IV. Statistics a/

(Unit: '000 tons)

	Fiscal year <u>b/</u>	Production	Import	Export
Rice	1971	10,887	10	859
	1972	11,897	12	376
	1973	12,149	38	430
Wheat	1971	440	4,726	55 <u>c/</u>
	1972	284	5,317	56 <u>c/</u>
	1973	202	5,369	38 <u>c/</u>
Barley	1971	503	1,138	-
	1972	324	1,488	-
	1973	216	1,817	-

Notes: a/ The figures are derived from "The Table of the Demand and Supply of Food".

b/ The figures for 1972 and 1973 include "Okinawa".

c/ Represents those of wheat equivalent of wheat flour.

B. Tobacco and Salt

I. The Japan Tobacco and Salt Public Corporation (hereinafter referred to as "the J.T.S.") 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 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 J.T.S. Leaf tobacco and manufactured tobacco are imported solely by the J.T.S. or a person entrusted to do so by the J.T.S. Tobacco thus imported is exempted from duties. Leaf tobacco and manufactured tobacco are exported by the J.T.S. as well as by any person who has purchased leaf tobacco and manufactured tobacco from the J.T.S. for the purpose of export.

The amount of import of manufactured tobacco and leaf tobacco is decided by the J.T.S. on the basis of the domestic demand-supply programme, to cover the shortage of domestic supply. The import is decided on the basis of commercial consideration.

The J.T.S. 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 J.T.S. for permission.

The J.T.S. purchases all of the domestically produced 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 J.T.S.

The retail price of manufactured tobacco is fixed by the J.T.S. 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 J.T.S. subject to the approval of the Minister of Finance, on the basis of import prices, marketing 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 J.T.S. adding a certain margin to the total cost price.

When an individual imports manufactured tobacco for his personal use with the J.T.S.'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 into 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 J.T.S.

- (b) Salt: Salt is manufactured solely by persons authorized by the J.T.S. The J.T.S., in principle, purchases all of the salt thus manufactured. Salt is imported solely by the J.T.S. or a person entrusted to do so by the J.T.S. Salt is free of duties. Salt may be exported by the J.T.S. 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 J.T.S. from producers abroad after the J.T.S. 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 J.T.S.

The purchase price of domestically produced salt is determined by the J.T.S. 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 J.T.S. 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)	
1971	49,003	112,276	5,250	7,890	149,002
1972	54,126	119,198	3,907	6,604	145,235
1973	68,271	162,146	1,370	2,442	157,224

Manufactured tobacco

Fiscal year	Imports		Exports		Domestic production (million pieces)
	Quantity (million pieces)	Value (\$ '000)	Quantity (million pieces)	Value (\$ '000)	
1971	1,989	10,614	673	4,944	232,214
1972	1,592	10,807	774	5,788	256,009
1973	2,382	15,584	861	6,388	209,930

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)	
1971	7,183	78,836	0	0	871
1972	6,921	63,998	0	0	806
1973	7,446	68,085	0	0	1,049

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. The objectives of this monopoly are to ensure the smooth and stable supply of alcohol to consumers and to regulate production and sales of alcohol for the purpose of securing fiscal revenue.

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 enterprise

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.

Alcohol is imported solely by the Government or by persons entrusted to do so by the Government. Alcohol is imported in case where the domestic production falls short of its demand. All the alcohol imported is redistilled to meet the determined specification.

The Government purchases all the alcohol produced. The purchase price is fixed by taking into account the cost of production and appropriate profits for the manufactures. 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 (kl)
	Quantity (kl)	Value (\$ '000)	Quantity (kl)	Value (\$ '000)	
1972	26,541	3,472	73	77	120,663
1973	41,241	6,594	5,107	525	123,748
1974*	22,880	6,749	40	75	113,750

* Preliminary

V. Reasons why no foreign trade takes place

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 Ministry 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 (kgs)
	Quantity (kgs)	Value (\$'000)	Quantity (kgs)	Value (\$'000)	
1972	46,400	1,123	-	-	30
1973	50,000	1,407	-	-	30
1974	50,000	1,602	-	-	25

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 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 exclusively 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 for 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 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 and/or those so entrusted are to be permitted to import these products only in cases where they are used for such particular utilization as provided for in the Cabinet Order (use for school lunch programme, animal feed, material for processing trade, international sample fair, international ships and aircrafts, etc.)

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 considerations.

IV. Statistics (Unit: '000 tons)

	Calendar year	Production	Import	Export
Butter	1971	48	1	1
	1972	44	12	0
	1973	42	18	0
Sugared condensed wholemilk	1971	42	0	0
	1972	46	0	0
	1973	38	0	0
Sugared condensed skimmed milk	1971	25	0	0
	1972	17	0	0
	1973	17	0	0
Skimmed milk powder	1971	68	51	1
	1972	65	56	0
	1973	66	58	0
Wholemilk powder	1971	37	0	0
	1972	42	0	0
	1973	35	-	-
Whey powder	1971	-	3	-
	1972	-	6	-
	1973	-	12	-
Butter milk powder	1971	-	-	-
	1972	-	-	-
	1973	-	-	-

F. Raw Silk

1. The import of raw silk (including doupion cocoon silk) is under a State-trading enterprise.

2. Reason and purpose for introducing and maintaining a State-trading enterprise

(1) The demand and supply situation of raw silk and its prices have been facing considerable fluctuations and cocoon and raw silk industries have been largely affected by such factors. Under the Cocoons and Raw Silk Price Stabilization Law enacted in 1951, the Japan Raw Silk Corporation (hereinafter referred to as "the Corporation") has been contributing to stabilizing the demand and supply of cocoons and raw silk and their prices through its purchase and resale operations of domestically produced raw silk and to stabilizing the management of domestic producers of raw silk.

(2) As for the imported raw silk, the Corporation has been entrusted under the said Law to import it exclusively in order to stabilize the supply and demand of cocoon and raw silk and their prices.

This measure aims at adjusting the importation and resale of raw silk in order to cope with the considerably unstable supply and demand situations in the domestic market only during a limited period.

(3) In view of the recent trends of the supply and demand situation of raw silk and its prices, the above-mentioned measure was introduced on August 1, 1974.

3. Description of the functioning of the State-trading enterprise

(1) In the field of trade, the Corporation is entrusted to carry out the import transaction of raw silk only during a limited period mentioned in 2. (2) above. Such transaction is to be undertaken in case, because of the increased import of foreign raw silk, it is deemed difficult to stabilize the supply and demand of the raw silk through the purchase and resale operation of the domestic raw silk by the Corporation.

(2) The Corporation imports a certain amount of raw silk, taking into account the domestic supply and demand situation of raw silk and the prices, etc., and the imported raw silk is,

in principle, released to the market when the price of raw silk rises, or is likely to rise above the level of the standard sales price of raw silk.

(3) The importation and resale of raw silk by the Corporation is, in principle, carried out through general competitive tender solely in accordance with commercial considerations.

4. Statistics

Production of cocoon and supply and demand of raw silk (calendar year)

	1965	1970	1971	1972	1973	1974
Production of cocoon (ton)	105,513	111,763	107,694	105,111	108,156	101,948
Production of raw silk (bag)	318,438	341,924	328,071	318,945	321,943	315,603
Import of raw silk (bag)	5,451	65,978	98,510	168,641	143,341	98,677
Export of raw silk (bag)	17,285	1,242	1,146	355	146	786
Domestic transactions (bag)	316,136	407,569	407,835	503,513	455,689	363,560
Stocks at the end of period (bag)	15,643	22,468	40,068	33,786	33,235	83,169

1 bale is 60 kg equivalent.