

**GENERAL AGREEMENT ON
TARIFFS AND TRADE**

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STATE-TRADING

Notifications Pursuant to Article XVII:4(a)

JAPAN

The following communication, dated 4 March 1986, has been received from the Permanent Mission of Japan.

A. Leaf tobacco

The importation of leaf tobacco and manufactured tobacco has been liberalized since 1 April 1985, abolishing the tobacco monopoly system by the Japan Tobacco and Salt Public Corporation. However, as a consequence of the continuing monopoly, even after the above date, of the production of manufactured tobacco by the Japan Tobacco Inc. (JTI), which is the private enterprise reorganized from the Japan Tobacco and Salt Public Corporation, the importation of leaf tobacco is in effect dependent upon the purchases by JTI.

1. State-trading enterprise

JTI

2. Reason and purpose for maintaining the State-trading enterprise

The tobacco production is monopolized by JTI for the purpose of ensuring the sound development of the tobacco industry.

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

(1) Importation of leaf tobacco

The importation of leaf tobacco is liberalized. However, the JTI's continuing monopoly in the production of manufactured tobacco in effect renders the importation of leaf tobacco subject to the subsequent purchase by JTI.

JTI imports leaf tobacco on the basis of commercial consideration, taking into account the demand-supply situation of manufactured tobacco, as well as the quality, price and other relevant characteristics of the imported leaf tobacco.

(2) Purchase of domestic leaf tobacco

Prior to the purchase of domestic leaf tobacco, JTI annually makes a contract with domestic tobacco cultivators concerning the acreage of cultivation over the variety of leaf tobacco and the price over its variety and grade.

Before making the contract, JTI shall consult with the Leaf Tobacco Deliverative Council on the above acreage and price.

JTI purchases all the produced leaf tobacco on the above contractual basis except those not suitable for producing manufactured tobacco.

4. Customs tariff rate of leaf tobacco

Free

5. Statistical data

J.F.Y.	Imports		Exports		Domestic prod.
	tons	million ¥	tons	million ¥	tons
1980	71,418	73,444	6	12	141,394
1981	84,301	101,023	204	138	137,710
1982	78,255	110,555	260	200	139,351
1983	79,704	110,556	2,686	1,171	136,670
1984	70,142	98,898	3,155	1,774	135,447

Note: Domestic production data are on a calendar year basis.

B. Salt

On 1 April 1985, the Japan Tobacco and Salt Public Corporation (JTS) was reorganized into the private enterprise, the Japan Tobacco Inc. (JTI). Accordingly, JTI has taken over authorities on salt, that is, exclusive purchase, importation, reproduction, processing and sale from JTS since the above date.

1. State-trading enterprise

JTI

2. Reason and purpose for maintaining the State monopoly

The salt monopoly is maintained for the purpose of securing a steady supply of salt to consumers.

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

Purchase, import and sale of salt belong exclusively to JTI. Under the Salt Monopoly Law and the Japan Tobacco Inc. Law, JTI carries out such businesses.

Salt is manufactured solely by a person authorized by JTI. JTI, in principle, purchases all of the salt thus manufactured. The purchase price of domestically produced salt is determined by JTI on the basis of production cost, taking into account the advice of the "Salt Purchase Price Council" composed of learned and experienced persons, representatives of salt producers and those of the consumers. Salt is imported solely by JTI or a person entrusted to do so by JTI. Salt is free of duty. The import volume of salt is decided on the basis of demand and supply programme. Salt for common use (as foodstuff) is imported directly by JTI and salt to be used as material for soda industry is imported on a commercial basis by soda manufacturers entrusted to do so by JTI.

Salt may be exported by JTI as well as by persons who have purchased salt for the purpose of export. In fact, however, exports of salt have been nil because of its comparatively high cost of production.

The sale prices of salt are fixed by JTI subject to the approval of the Minister of Finance.

4. Statistical data

J.F.Y.	Imports		Exports		Domestic prod.
	'000 tons	million ¥	'000 tons	million ¥	'000 tons
1981	6,359	36,661	0	0	1,002
1982	6,294	42,042	0	0	965
1983	6,403	41,838	0	0	921
1984	6,738	44,192	0	0	955

C. Opium

1. The Ministry of Health and Welfare holds the monopoly in opium.

2. Reason and purpose for maintaining the government monopoly

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

3. 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.

4. Statistical data

J.F.Y.	Imports		Exports		Domestic prod.
	kg.	\$'000	kg.	\$'000	kg.
1980	40,000	1,901	-	-	9
1981	40,000	1,725	-	-	4
1982	60,000	2,116	-	-	3
1983	65,000	2,334	-	-	5
1984	60,000	2,186	-	-	6

D. Alcohol

1. 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 alcohol 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.

2. 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, regulate the production and sales of alcohol, separate the distribution of industrial alcohol from that of liquor.

Alcohol is produced by New Energy Development Organization (NEDO) which was established on 1 October 1982, 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.

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

There are almost no exports of alcohol, since it is produced by NEDO and the 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 the persons entrusted to do so by the Government. Alcohol is imported in cases 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 manufacturers. As for imported alcohol, it is purchased at the market price.

There is no bilateral agreement on alcohol.

4. Statistical data

J.F.Y.	Imports		Exports		Domestic prod.
	kl.	\$'000	kl.	\$'000	kl.
1980	60,464	32,091	67	66	148,852
1981	60,752	29,918	84	78	151,350
1982	58,510	21,436	21	18	155,737
1983	74,161	22,355	10	9	160,918
1984	74,628	22,067	19	15	170,499

E. Rice, wheat and barley

1. The Government (Food Agency) holds the monopoly for the export and import of rice, wheat and barley.

2. Reason and purpose for maintaining State-trading enterprises

The Government is authorized to adjust demand and supply and prices of rice, wheat and barley under the provisions of the Food Control Law, 1942 (Law 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 consumers' household budget.

As a part of the Food Control System, the export and import of rice, wheat and barley are controlled by the Government to ensure proper and smooth operation of the system.

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

(1) The export and import of rice, wheat and barley are under the government management. Nevertheless, the Government (Food Agency), in general, does not directly undertake the import and export of rice, wheat and barley. Actual import and export transactions are carried out, with government permission or as agents of the Government, by private traders who are enrolled to the Government as traders of these products.

(2) The export of rice that had been implemented from J.F.Y. 1979 as a temporary and emergency measure, and as a means of disposal of surplus rice was terminated in J.F.Y. 1983.

(3) Total import requirements of rice, 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. With regard to the import system of rice, wheat and barley, the Government, on the basis of the Supply and Demand Programme, makes a contract in advance with the aforementioned traders. It then buys up the total imports at the port of unloading from those traders who possess the import licences.

Due to the surplus of rice in recent years, the importation of rice has been nil, with an exception for special use such as glutinous rice.

(4) The government selling prices for imported rice, wheat and barley are determined on the basis of their import prices, management cost, the consumer's prices of polished rice and other economic conditions, taking into account the stabilization of the consumer's household economy.

(5) Concerning rice, wheat and barley, no contract under which the Government becomes obliged to purchase those products over a long period has been concluded at the moment.

4. Statistical data

(unit: '000 tons)

	J.F.Y.	Imports	Exports	Domestic prod.
Rice	1980	27	754	9,751
	1981	67	716	10,259
	1982	61	348	10,270
	1983	18	384	10,366
	1984	165	-	11,878
Wheat	1980	5,564	5	583
	1981	5,504	11	587
	1982	5,432	10	742
	1983	5,544	-	695
	1984	5,553	-	741
Barley	1980	2,087	-	385
	1981	2,225	-	383
	1982	1,833	-	390
	1983	2,275	-	379
	1984	2,284	-	396

Notes: Source: Ministry of Agriculture, Forestry and Fisheries, "The Table of the Demand and Supply of Food".

- (1) Wheat dates include those of wheat equivalent of wheat flour.
(2) The figures in 1984 are provisional.

F. Milk products

1. State-trading enterprise

The Livestock Industry Promotion Corporation (hereinafter LIPC)

The products covered by the State-trading enterprise are butter, skimmed milk powder, sugared condensed whole milk, sugared condensed skimmed milk, whole milk powder, buttermilk powder and whey powder.

2. Reason and purpose for maintaining the State-trading enterprise

Under the Law for Temporary Measures for Subsidization of Producers of Raw Milk for Processing enacted in June 1965, LIPC 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 the domestic supply and demand situation.

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

As far as trade is concerned, the function of LIPC is limited to importation only. Importation of the main milk products is exclusively entrusted to LIPC as a rule. In practice, import transaction is to be carried out by LIPC itself and/or those so entrusted by LIPC. However, any enterprise other than LIPC 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, child welfare programme, animal feed, material for processing trade, international sample fair, international ships and aircraft, etc.).

If market prices of the milk products are under such conditions as to rise or likely to rise above the Stabilization Indicative Price fixed by the Minister of Agriculture, Forestry and Fisheries, LIPC is to undertake importation of the main milk products. LIPC 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 Stabilization Indicative Price by a given amount.

4. Statistical data

(unit: '000 tons)

	Calendar year	Imports	Exports	Domestic production
Sugared condensed whole milk ¹	1980	0	0	50
	1981	0	0	51
	1982	0	0	54
	1983	0	-	48
	1984	0	0	50
Sugared condensed skimmed milk ¹	1980	-	0	24
	1981	-	0	21
	1982	-	0	18
	1983	-	-	18
	1984	-	0	16

¹Including all types of condensed and evaporated milk in the exports

(unit: '000 tons)

	Calendar year	Imports	Exports	Domestic production
Skimmed milk powder	1980	102	0	127
	1981	83	1	127
	1982	93	1	131
	1983	92	-	154
	1984	90	0	155
Buttermilk powder	1980	0	-	n.a.
	1981	-	-	n.a.
	1982	-	-	n.a.
	1983	0	-	n.a.
	1984	-	-	n.a.
Whole milk powder	1980	0	0	33
	1981	0	0	33
	1982	0	0	34
	1983	0	0	36
	1984	0	0	35
Whey powder	1980	10	-	n.a.
	1981	9	-	n.a.
	1982	13	-	n.a.
	1983	15	0	n.a.
	1984	15	-	n.a.
Butter	1980	2	0	64
	1981	2	0	64
	1982	5	0	64
	1983	2	0	74
	1984	2	0	78

G. Raw Silk (including dou pion silk)

1. State-trading enterprise

The Japan Raw Silk and Sugar Price Stabilization Agency (hereinafter the Agency)

2. Reason and purpose for maintaining the State-trading enterprise

(1) Owing to heavy fluctuations in the prices of raw silk and cocoon, management of the silk-yarn industry remains unstable.

The Agency, under the Cocoon and Raw Silk Price Stabilization Law, 1951 (Law No. 310), has been contributing to the stabilizing of the prices of raw silk and cocoon and their demand and supply with purchase and selling of domestically produced raw silk.

(2) As for the imported raw silk, the Agency is exclusively entrusted, under the said law, to importing it in order to ensure the efficient operation of the above measure for price and demand-supply stabilization.

The measure of State trading was introduced on 1 August 1974 and has been maintained thereafter. The introduction of this measure, which was effected in consideration of its demand-supply and price situation of domestic raw silk, was for its purpose of adjusting its import of raw silk and resale of imported raw silk to quickly cope with its demand-supply situation of its domestic produce.

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

(1) As far as trade is concerned, the function of the Agency is limited to importation only. Owing to the recent demand-supply trend of raw silk, the above-mentioned function of the Agency is expected to continue for the time being.

(2) A consignment of the importation of raw silk by the Agency is, in principle, carried out through general competitive tender solely in accordance with commercial considerations. Resale of the imported raw silk is made so as to contribute to the stabilization of price and demand-supply of domestically produced raw silk.

4. Statistical data

Calendar year	1980	1981	1982	1983	1984
Production of cocoon (ton)	73,061	64,785	63,332	61,141	50,352
Production of raw silk (bale)	269,247	247,012	216,542	207,611	179,662
Import of raw silk (bale)	49,598	15,254	38,252	40,479	25,358
Export of raw silk (bale)	-	-	-	-	-
Domestic transactions (bale)	262,619	250,254	265,649	220,369	202,007
Stocks at the end of period (bale)	158,387	170,399	159,544	187,265	190,278

Note: One bale is 60 kg. equivalent.