

GENERAL AGREEMENT ON TARIFFS AND TRADE

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Explanatory Note on Import Tariff and Customs of Japan

The import tariffs which were in force in pre-war days, were substantially revised after the war, in order to meet the economic and trade situation of post-war Japan, and the new tariffs have been in effect since May 1, 1951.

The old import tariffs which had undergone several minor revisions after 1926, were made applicable all through the war period and up to 1951. Since the promotion of foreign trade was one of the most important economic policies of Japan even in pre-war days, the old tariffs themselves were quite moderate ones except for a 100% ad valorem special tax imposed upon 242 commodities considered as luxuries. In general, the rate on ordinary finished goods was at its highest only about 35% and the average about 20%.

With the termination of the war, however, it was strongly felt that the old import tariffs had to be revised so as to meet the post-war economic situation, and the Japanese Government started studying revisions as early as 1947 in collaboration with the Occupation Authorities. Because of the drastic fall in the value of currency as a result of the rampant inflation in the immediate post-war period, import duty which applied to 65% of dutiable goods under the old tariffs almost lost its significance as an import duty. On the other hand, the 100% ad valorem duty on luxuries remained in existence. In other words, all the tariff structure had to be re-examined in the light of the new situation, and in spite of the urgent need for revising the old tariffs, it could not be completed until May 1, 1951, due to the unstable economic condition of that time.

In working for the revision of the old tariffs, full consideration was paid to the fact that the extent to which Japan must rely upon foreign trade would be much greater in post-war days than in pre-war days because of the loss of her former territories and natural resources in the war. Consequently, low tariffs were adopted upon advice of the Occupation Authorities, in line with the spirit of ITO and GATT which aims at securing the freedom of trade and eliminating tariff barriers.

It should not be forgotten however that in some circles in Japan (at that time) there was a strong feeling, that it would be advantageous to her to maintain a somewhat high customs duty to gain bargaining power for future negotiations. Nevertheless the Japanese Government finally sided

with the opinion of the Occupation Authorities to adopt low tariffs, which are in conformity with the spirit of GATT. At the same time it cannot be denied that the adoption of such low tariffs reduces Japan's bargaining power at future tariff negotiations. These facts should be borne in mind when studying the present Japanese custom's duties.

The following are a few examples of the present tariffs of Japan:

Firstly, raw materials are either free of duty or have a small duty of 5%; higher rates are made applicable to semi-finished and finished goods. Secondly, utilities and daily necessities are free or have a 5-15% duty, while luxury items are subject to a duty of comparatively high rate. Thirdly, goods which are not produced in Japan, or which are produced but production of which is not expected to be increased in the near future, are either free or have a small duty. The highest rate applicable under the present tariffs is 50% whilst a 10% to 20% rate is applicable to a large percentage of dutiable articles.

Incidentally, the percentage of tariffs to the total value of dutiable goods under the present tariff was 10.4% in the latter half of 1951 and in 1936 20%. It is believed that this fact is enough to show that the rate of duty of Japan's tariffs is in general, comparatively low even when compared with those of other countries. Attention is called to the fact that the law authorizes the application of any additional duties to the extent of 100% ad valorem upon goods of a country which gives to Japanese goods a treatment less favourable than that extended to products of any other country.

A brief explanation of the Japanese custom's regulations is given hereunder:

During the revision of the tariffs, the custom's regulations were revised at the same time and in the spirit of ITO and GATT.

Firstly, with respect to valuation of ad valorem duty for customs purposes, it used to be prescribed simply that duties upon articles charged with ad valorem duty should be levied on the value on arrival at the time of importation. In other words, the meaning of "value on arrival" and "method of computation of such "value" was not at all clearly stated. Complying with Article VII of the GATT, therefore, the provision was revised so that there should be no room for arbitrary valuation.

Secondly, with respect to anti-dumping duties, it used to be stated that "where any important industry in this country is in danger of being injuriously affected by the importation of an article for the purpose of dumping or by the dumping of imported articles, such articles may be designated in accordance with the provisions of Cabinet Order, and on such articles may be imposed during a specific period of time, duties not exceeding in amount their proper value, in addition to the duties enumerated in the annexed tariff", but, there again, in line with Article VI of the GATT, it was revised so that the value of dumping duty should not exceed the difference of the proper value and the dumping value.

Thirdly, taking into account the provision of the International Convention relating to simplification of customs formalities, necessary revisions were made to the customs law in June of this year.

Lastly, the provisions of paragraph 5 of Article IX of the GATT imposes upon contracting parties obligation to co-operate with each other to prevent the use of trade names in such manner as to misrepresent the true origin of a product. Taking into account the provision of the GATT, the necessary revisions were made to the Customs Law in order to prevent importation of goods with false indications of place of origin. In addition to that, the Export Trading Law promulgated in August of this year is designed to prevent an unfair export practice of Japanese goods which have false indications of place of origin.

This short explanation of the general tariff system and custom's regulations of Japan has been made with the object of showing that this country wishes to co-operate to the utmost with GATT, and wishes to contribute as fully as possible to the general economic prosperity of the world through co₂operation with other countries.