

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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Limited Distribution

NOTIFICATIONS OF CHANGES IN STATE-TRADING MEASURES

JAPAN¹

The Government of Japan has submitted the following revised notification on State-trading measures, in which changes made since the last notification are underlined with dotted lines.

I. Enumeration of State-trading enterprises

In Japan two different types of State-trading enterprises are in operation:

the "Food Control" and

the "Government Monopolies" on tobacco, salt and alcohol,

A. Food control (rice, wheat and barley)

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.

¹Last previous Japanese notification is in L/1949/Add.10

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. Wheat import requirements are determined in the same manner as for rice, based on wheat demand computed according to the demand for wheat flour.

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 proportionately cheaper than that of domestic rice according to its 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

Year	Annual production (1000 tons)	Imports		Exports (calendar year)		
		Volume (1,000 tons)	Value (Million Yen)	Volume (1,000 tons)	Value (Million Yen)	
Rice	1959	12,501	277	13,570	0	4,408
	1960	12,858	175	7,043	0	2,457
	1961	12,419	126	5,965	0.1	6,598
	1962	13,009	178	8,574	-	-
	1963	12,812	221	10,192	-	-
Wheat	1959	1,416	2,412	57,816	167	4,351
	1960	1,531	2,678	63,666	592	16,606
	1961	1,781	2,620	64,594	65	4,566
	1962	1,630	2,561	65,135	55	5
	1963	716	3,178	78,266	-	-
Barley	1959	1,241	488	10,192	57	2,407
	1960	1,206	0	0	38	1,676
	1961	1,127	-	-	24	979
	1962	1,023	-	-	-	-
	1963	647	172	3,517	-	-

V. Reason why no foreign trade has taken place in products affected

No barley was imported during the 1960, 1961 and 1962 fiscal years. As stated above, Government control is enforced on barley and naked barley under the Food Management Law. However, consumption of barley and naked barley as staple food has been decreasing year after year because of the rise in nutritional standards in recent years and the Government stock has accordingly accumulated. The Government has therefore encouraged the production of other crops in place of barley and also its use for other purposes. On the other hand, surplus barley has been released for feed at cheaper prices. In view of such demand-supply and production situations, no imports of barley have been made during the said period. ~~However, imports of barley were made in fiscal 1963 because of poor harvest.~~

VI. Additional information

None.

B. Government monopolies

Tobacco and Salt

I. The Japan Monopoly Corporation (hereinafter referred to as "the Corporation") holds the monopoly for tobacco and salt.¹

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 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.

¹The Government monopoly for crude camphor and crude camphor oil was abolished on 31 March 1962.

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 amounts 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 tobacco 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 determined by the Corporation 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 exports is fixed by the Corporation, subject to the approval of the Minister of Finance, 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. Thus 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.

There have been no long-term contracts regarding exports or imports of tobacco and salt.

IV. Statistical information

For statistics on imports, exports and production of tobacco and salt, see Annexes I and 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.

Alcohol

I. The Ministry of International Trade and Industry (hereinafter referred to as MITI) holds a monopoly for the production, sale and import of 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. As for amount of export, no restriction is imposed by the Government.

The Government purchases all alcohol produced. The purchase price is fixed 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.

ANNEX I

Imports, Exports and Production of Tobacco

(1) Leaf tobacco

	<u>Imports</u>	<u>Exports</u>	<u>Domestic production</u>
			*Fiscal Year (April-March)
1959 [*]			
Quantity (1,000 kg.)	5,231	6,596	129,238
Value (\$1,000)	10,603	4,327	99,480
1960 [*]			
Quantity (1,000 kg.)	9,726	5,241	121,032
Value (\$1,000)	20,162	3,803	97,603
1961 [*]			
Quantity (1,000 kg.)	16,312	8,350	126,334
Value (\$1,000)	31,747	6,653	116,269
<u>1962[*]</u>			
<u>Quantity</u> <u>(1,000 kg.)</u>	<u>17,431</u>	<u>7,498</u>	<u>139,080</u>
<u>Value</u> <u>(\$1,000)</u>	<u>33,591</u>	<u>6,394</u>	<u>142,497</u>
<u>1963[*]</u>			
<u>Quantity</u> <u>(1,000 kg.)</u>	<u>22,439</u>	<u>8,012</u>	<u>157,490</u>
<u>Value</u> <u>(\$1,000)</u>	<u>42,145</u>	<u>7,846</u>	<u>168,474</u>

(2) Manufactured tobacco

		*Fiscal Year (April-March)		
		<u>Imports</u>	<u>Exports</u>	<u>Domestic production</u>
1959 ^x	Quantity ¹ (1 million pcs.)	22	285	115,527
	Value (\$1,000)	130	1,056	-
1960 ^x	Quantity ¹ (1 million pcs.)	694	242	125,048
	Value (\$1,000)	3,471	1,192	-
1961 ^x	Quantity ¹ (1 million pcs.)	785	230	132,544
	Value (\$1,000)	3,246	1,342	-
1962 ^x	Quantity ¹ (1 million pcs.)	<u>1,424</u>	<u>262</u>	<u>147,500</u>
	Value (\$1,000)	<u>4,314</u>	<u>1,558</u>	---
1963 ^x	Quantity ¹ (1 million pcs.)	<u>1,271</u>	<u>280</u>	<u>152,172</u>
	Value (\$1,000)	<u>6,161</u>	<u>1,777</u>	---

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

ANNEX II

Imports, Exports and Production of Salt

		*Fiscal Year (April-March)		
		<u>Imports</u>	<u>Exports</u>	<u>Domestic production</u>
1959 [*]	Quantity (1,000 t)	2,057	-	1,170
	Value (\$1,000)	18,428	-	37,268
1960 [*]	Quantity (1,000 t)	2,351	-	834
	Value (\$1,000)	22,738	-	25,103
1961 [*]	Quantity (1,000 t)	2,555	-	849
	Value (\$1,000)	25,673	-	25,656
<u>1962[*]</u>	<u>Quantity</u> <u>(1,000 t)</u>	<u>2,631</u>	<u>-</u>	<u>879</u>
	<u>Value</u> <u>(\$1,000)</u>	<u>25,955</u>	<u>-</u>	<u>27,689</u>
<u>1963[*]</u>	<u>Quantity</u> <u>(1,000 t)</u>	<u>3,038</u>	<u>-</u>	<u>747</u>
	<u>Value</u> <u>(\$1,000)</u>	<u>28,725</u>	<u>-</u>	<u>24,283</u>

ANNEX III

Imports, Exports and Production of Alcohol

*Fiscal Year
(April-March)

	<u>Imports</u>	<u>Exports</u>	<u>Domestic production</u>
1959* Quantity (1,000 lit.)	0	15	29,940
Value (\$1,000)	0	3	9,257
1960* Quantity (1,000 lit.)	0	43	35,060
Value (\$1,000)	0	9	10,708
1961* Quantity (1,000 lit.)	0	85	44,030
Value (\$1,000)	0	17	12,885
1962* Quantity (1,000 lit.)	<u>0</u>	<u>49</u>	<u>44,425</u>
Value (\$1,000)	<u>0</u>	<u>11</u>	<u>11,754</u>
1963* Quantity (1,000 lit.)	<u>0</u>	<u>42</u>	<u>50,656</u>
Value (\$1,000)	<u>0</u>	<u>10</u>	<u>12,985</u>

