

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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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 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 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. The importation of rice has not been however

undertaken since a surplus of rice emerged. Rice is actually exported as a means of disposing of this surplus at the moment.

2. (i) The exportation of rice is carried out to deal with the surplus of rice under the definit programme in which a high priority is placed on the domestic consumption of accumulated rice for animal feed and other purposes. The exportation is undertaken on loans or at similar concessionary terms in response to the strong requests from the developing countries which are short of rice with full attention being paid to prevent it from causing harmful effects upon the commercial transactions of this product among nations. The Government is implementing the Production Adjustment Programme to balance the supply and demand of rice in one crop year in the domestic market. At the same time, rice stock of government is also decreasing. Therefore, the availability of rice for export is very limited.

(ii) 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 export price of rice is determined on the consideration of the trends of price of rice prevailing in the international market, the quality and other relevant factors. The Government selling prices for imported wheat and barley are determined on the basis of the domestic selling prices, taking into account the quality differential between the domestic and the imported products.

The price differentials of the types and qualities in the government selling prices of imported wheats are decided so as to reflect those of the types and qualities of wheat recorded at the time of importation.

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

(ii) The exportation of rice is generally undertaken on the basis of the intra-government agreements. On the other hand, the importation of wheat and barley is carried out, not on the basis of the intra-government agreements but, as aforementioned, by the authorized importers which are enrolled to the government, under the Government permit.

IV. Statistics^{a/}

(Unit: '000 tons)

	Fiscal year	Production	Import	Export
Rice ^{b/}	1969/70	14,003	48	440
	1970/71	12,689	15	785
	1971/72	10,887	10	859
Wheat	1969/70	758	4,537	81 ^{c/}
	1970/71	474	4,621	47 ^{c/}
	1971/72	440	4,726	55 ^{c/}
Barley	1969/70	812	806	2
	1970/71	573	1,072	2
	1971/72	503	1,138	-

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

b/ For rice, the figures for "production" show those of unpolished rice, but the figures for "import" and "export" show polished rice.

c/ 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 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 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 is free of 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)	
1969	32,784	71,097	7,022	8,042	173,510
1970	38,162	79,594	7,153	8,686	150,415

Manufactured tobacco

Fiscal year	Imports		Exports		Domestic production (million pieces)
	Quantity (million pieces)	Value (\$ '000)	Quantity (million pieces)	Value (\$ '000)	
1969	1,699	7,500	561	3,299	216,233
1970	1,871	8,692	623	3,678	221,957

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)	
1969	5,891	57,550	0	0	1,029
1970	6,727	68,533	0	0	951

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 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 Republic of Korea on a private basis.

Alcohol is imported solely by the Government or by persons entrusted to do so by the Government. Alcohol is imported as much as necessary in special situations where the domestic production falls short of its demand. Also crude alcohol is imported when the price of domestic raw material is higher than foreign ones.

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 (kgs)
	Quantity (kgs)	Value (\$ '000)	Quantity (kgs)	Value (\$ '000)	
1969	0	0	93	21	90,648
1970	4,171	404	115	26	101,474
1971	16,558	1,622	177	39	101,193

(Statistics of import are crude alcohol)

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 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.

VI. Statistical information

Fiscal year	Imports		Exports		Domestic production (kgs)
	Quantity (kgs)	Value (\$'000)	Quantity (kgs)	Value (\$'000)	
1969	43,500	631	-	-	110
1970	31,000	517	-	-	77
1971	31,000	622	-	-	41

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, 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	1969	42	0	0
	1970	45	1	0
	1971	48	1	0
Sugared condensed wholemilk	1969	44	0	0
	1970	42	0	0
	1971	42	0	0
Sugared condensed skimmed milk	1969	25	0	0
	1970	25	0	0
	1971	25	0	0
Skimmed milk powder	1969	67	67	0
	1970	72	61	0
	1971	69	51	0
Wholemilk powder	1969	31	0	0
	1970	36	0	0
	1971	36	0	0
Whey powder	1969	0	2	0
	1970	0	3	0
	1971	0	3	0
Butter milk powder	1969	0	0	0
	1970	0	0	0
	1971	0	0	0