

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

L/4933/Add.9

10 September 1980

Limited Distribution

Original: English

## STATE TRADING

### Notifications Pursuant to Article XVII:4(a)

#### JAPAN

The following communication, dated 18 August 1980, has been received from the Permanent Mission of Japan.

#### A. Rice, Wheat and Barley

I. The export and import of rice, wheat and barley are operated under the State-trading enterprise.

#### II. Reason and purpose for introducing and 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.

#### III. Description of the functioning of the State-trading enterprise

1. 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 being carried out, with Government permit or as agents of the Government, by private traders who are enrolled to the Government as traders of these products.

2. Rice could be exported only when imbalance appeared in its demand and supply. Export of rice is permitted, under the Food Control System, as a temporary and emergent measure, and as a means of disposal of surplus rice.

The amount to be exported is determined on the basis of the request made by the importing country concerned. In this case, due consideration is given so as not to affect the interests of the traditional rice exporting countries, and Principles of Surplus Disposal of FAO is also taken into account. Export price of rice is determined through negotiation with the importing country concerned, taking into account the international price level.

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 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 consumer's household economy.

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

IV. Statistics a/

(Unit: 1,000 tons)

	Fiscal year	Production	Import	Export
Rice	1974	12,292	63	271 <u>b/</u>
	1975	13,165	29	2 <u>b/</u>
	1976	11,772	18	3 <u>b/</u>
	1977	13,095	71	100 <u>c/</u>
	1978	12,589	45	1 <u>c/</u>
Wheat	1974	232	5,483	26 <u>d/</u>
	1975	241	5,715	34 <u>d/</u>
	1976	222	5,545	44 <u>d/</u>
	1977	236	5,662	4 <u>d/</u>
	1978	367	5,679	2 <u>d/</u>
Barley	1974	233	2,038	-
	1975	221	2,117	-
	1976	210	2,258	-
	1977	206	2,238	-
	1978	326	2,052	-

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

b/ Represents export on deferred payment basis in accordance with the programme for disposing of surplus of rice.

c/ Represents credit based export in accordance with the request by the Indonesian Government.

d/ Represent those of wheat equivalent of wheat flour.

B. Tobacco and Salt

The Japan Tobacco and Salt Public Corporation (hereinafter referred to as "the J.T.S.") holds the monopoly for tobacco and salt.

Reason and purpose for maintaining the State-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.

Description of the functioning of the State-trading enterprise

- (a) Tobacco: Purchase, import and sale of leaf tobacco and production, import and sale of manufactured tobacco belong exclusively to the State. Under the Tobacco Monopoly Law and the Japan Monopoly Public Corporation Law the J.T.S. carries out such operations.

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. 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.

Leaf tobacco is cultivated solely by a person authorized to do so by the J.T.S. The J.T.S. purchases all the domestically produced leaf tobacco.

The J.T.S. determines yearly the variety of tobacco to be cultivated, the acreage of cultivation as well as the purchase price of domestic leaf tobacco, with the advice of the "Tobacco Cultivation Council" composed of learned and experienced persons as well as representatives of tobacco cultivators and makes a public announcement thereof in advance.

The purchase price of domestic leaf tobacco is fixed, taking into consideration the production cost, wholesale price, consumer price and other economic factors, with a view to enabling its cultivators to earn adequate profits.

The J.T.S. imports leaf tobacco and manufactured tobacco on the basis of commercial consideration and determines the amount of their imports on the basis of the domestic demand-supply programme.

The customs tariff rates imposed on imported manufactured tobacco are free for leaf tobacco, 90 per cent for cigarettes, 110 per cent for pipe tobacco and 60 per cent for cigars. When a private individual imports manufactured tobacco for his personal use with the J.T.S.'s permission, however, a duty of 250 per cent for cigarettes and pipe tobacco and a duty of 200 per cent for cigars are 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 retail prices of domestically produced manufactured tobacco are fixed by the J.T.S. subject to the approval of the Minister of Finance within the scope of ceiling price provided for in the Manufactured Tobacco Price Act or of temporary ceiling price fixed in accordance with this Law.

In determining the retail price, the manufacturing cost, the rate of payments (monopoly payment and local tobacco consumption taxes), handling charges, retail profit margin and J.T.S.'s internal reserve are taken into consideration.

The retail prices of imported manufactured tobacco are fixed by the J.T.S. subject to the approval of the Minister of Finance. In determining the price, the purchase cost (including the customs tariff), the rate of payments (same rate with that of domestically produced manufactured tobacco), handling charges, retail profit margin and J.T.S.'s internal reserve are taken into consideration.

The export prices of leaf tobacco and manufactured tobacco are fixed by the J.T.S. on a commercial basis, adding a certain margin to the purchase cost or manufacturing cost.

- (b) Salt: Purchase, import and sale of salt belong exclusively to the J.T.S. Under the Salt Monopoly Law and the Japan Monopoly Public Corporation Law the J.T.S. carries out such businesses.

Salt is manufactured solely by a person authorized by the J.T.S. The J.T.S. in principle, purchases all of the salt thus manufactured. 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 "Salt Purchase Price Council" composed of learned and experienced persons, representatives of salt producers and those of the consumers. 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 duty. The import volume of salt is decided on the basis of the demand and supply programme. Salt for common use (as foodstuff) is imported directly by the J.T.S. and salt to be used as material for soda industry is imported on a commercial basis by soda manufacturers entrusted to do so by the J.T.S.

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, exports of salt have been nil.

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 in imports, exports and production of tobacco and salt, see Annex.

#### V. Reasons why no foreign trade of salt takes place

No salt has been exported because of its comparatively high cost of production.

#### VI. Other information

The Law for Partial Amendment to the Japan Monopoly Public Corporation Law and Other Related Laws, was approved by the Diet on 31 March 1980. The amended Law (Law No. 21) was put into effect on 1 April 1980. The amendments are as follows:

##### (a) Legislation of the rate of the payments

The legislated rate of payments (Ratio of monopoly payment and the local tobacco consumption taxes in the retail price of manufactured tobacco) are given below:

King	Class	Rate
Cigarettes	1st	565/1,000
	2nd	555/1,000
	3rd	445/1,000
Kiseru tobacco		310/1,000
Pipe tobacco		500/1,000
Cigars		555/1,000

The rates shown in the above table (rate for 1st class, in the case of cigarettes) are also applicable to the manufactured tobacco imported by the J.T.S.

(b) Revision of the Customs Tariff rates.

Previously, the duty for the manufactured tobacco was fixed at 355 per cent (200 per cent for cigars). The manufactured tobacco imported by the J.T.S. was exempt from the duty, in accordance with the provision of the Customs Tariff Law. By revising the laws, however, the following rates of duty are imposed on the manufactured tobacco products imported by the J.T.S. with the legislation of the rate of Payments.

Cigarettes	90 per cent
Cigars	60 per cent
Pipe tobacco	110 per cent
Others	20 per cent

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 re-distilled 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.

ANNEX

Leaf tobacco

Fiscal year	Imports		Exports		Domestic production ('000 kgs)
	Quantity ('000 kgs)	Value (\$'000)	Quantity ('000 kgs)	Value (\$'000)	
1976	94,193	312,903	18	74	176,159
1977	85,980	340,975	18	99	173,249
1978	81,374	358,235	23	183	171,965
1979	67,196	315,681	6	47	153,261

Manufactured tobacco

Fiscal year	Imports		Exports		Domestic production (million pieces)
	Quantity (million pieces)	Value (\$'000)	Quantity (million pieces)	Value (\$'000)	
1976	2,796	24,625	1,065	11,095	288,813
1977	3,210	30,579	1,110	12,849	303,461
1978	4,082	43,515	1,182	17,309	302,573
1979	4,465	51,976	1,371	17,477	308,259

The above figures on quantity are only for cigarettes, excluding pipe tobacco and cigars.

Salt

Fiscal year	Imports		Exports		Domestic production ('000 tons)
	Quantity ('000 tons)	Value (\$'000)	Quantity ('000 tons)	Value (\$'000)	
1976	6,201	96,952	0	0	1,021
1977	6,437	111,599	0	0	1,053
1978	6,341	110,906	0	0	1,073
1979	7,187	124,898	0	0	1,079



IV. Statistical information

Fiscal year	Imports		Exports		Domestic production (kl)
	Quantity (kl)	Value (\$ '000)	Quantity (kl)	Value (\$ '000)	
1974	24,228	7,380	52	27	109,558
1975	27,524	8,623	133	68	118,227
1976	45,733	10,910	121	77	129,277
1977	38,213	9,998	71	54	138,070
1978	48,320	13,578	57	52	140,847
1979	49,314	15,830	89	95	155,199

D. Opium

I. The Ministry of Health and Welfare holds the monopoly in 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)	
1975	50,000	2,371	-	-	22
1976	50,000	2,361	-	-	10
1977	50,000	3,126	-	-	16
1978	50,000	3,022	-	-	14
1979	45,000	2,663	-	-	19

E. Milk Products

I. The import of the following products are operated under the State-trading enterprise: butter, skimmed milk powder, sugared condensed whole milk, sugared condensed skimmed milk, whole milk powder, butter milk powder and whey powder.

## II. Reason and purpose for introducing and maintaining the State-trading enterprise

Under the Law for Temporary Measures for Subsidization of Producers of Raw Milk for Processing enacted in June 1965, the Livestock Industry Promotion Corporation 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 enterprise 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, child welfare 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 Stabilization Indicative Price fixed by the Minister of Agriculture, Forestry and Fisheries, 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 Stabilization Indicative Price by a given amount.

IV. Statistics

(Unit: 1,000 tons)

	Calendar year	Production	Import	Export
Butter	1974	39	25	0
	1975	40	2	0
	1976	44	19	0
	1977	54	4	0
	1978	62	2	0
	1979	68	2	0
Sugared condensed whole milk <u>1/</u>	1974	37	0	0
	1975	29	0	-
	1976	37	0	0
	1977	40	0	0
	1978	49	0	0
	1979	48	0	0
Sugared condensed skimmed milk	1974	15	0	0
	1975	15	-	-
	1976	17	0	0
	1977	17	-	0
	1978	20	-	0
	1979	21	-	0
Skimmed milk powder	1974	70	80	-
	1975	76	44	0
	1976	82	84	0
	1977	103	117	0
	1978	120	140	0
	1979	135	125	0
Whole milk powder	1974	31	0	0
	1975	22	0	0
	1976	26	0	0
	1977	27	0	0
	1978	30	0	0
	1979	31	0	0
Whey powder	1974	NA	16	-
	1975	NA	12	-
	1976	NA	16	0
	1977	NA	10	0
	1978	NA	11	-
	1979	NA	11	0
Butter milk powder	1974	NA	-	-
	1975	NA	0	-
	1976	NA	-	-
	1977	NA	-	-
	1978	NA	-	-
	1979	NA	-	-

1/ Sugared condensed skimmed milk is included in the export of sugared condensed whole milk.

F. Raw Silk

I. The import of raw silk (including doupion silk) is operated under the State-trading enterprise

II. Reason and purpose for introducing and 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 Japan Raw Silk Corporation (hereinafter referred to as "the Corporation"), 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 Corporation 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.

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

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

2. A consignment of the importation of raw silk by the Corporation 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.

IV. Statistics

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

	1975	1976	1977	1978	1979
Production of cocoon (ton)	91,219	87,838	79,262	77,589	81,264
Production of raw silk (bale)	336,146	298,078	268,036	265,959	265,829
Import of raw silk (bale)	41,078	35,819	55,918	83,833	60,467
Export of raw silk (bale)	-	-	-	-	-
Domestic transactions (bale)	389,281	357,217	293,403	352,546	299,724
Stocks at the end of period (bale)	71,112	47,792	78,343	75,589	102,161

Note: 1 bale is 60 kg equivalent.

