

ITALIAN STATE TRADING

AGRICULTURAL PRODUCTS SUBJECT TO STATE TRADING

Wheat and Meslin.
 Wheat flour.
 Semolina and Groats.
 Manufactured tobacco products and tobacco extracts and essence.
 All types of salt and pure sodium chloride.
 Sulphur.
 Phosphorous (white, yellow, and red).
 Sulphide of phosphorous (including phosphorous trisulphide).
 Paraethoxyphenylurea (dulcin) and similar substances.
 Orthobenzoicsulphimide (saccharin).
 Vegetable alkaloids of cinchona, natural or reproduced by synthesis and their salts, others, and esters.
 Nicotine and its salts.
 Watches.
 Ferro-cerium and other pyrophoric alloys in all forms (includes films).
 Cigarette paper.
 Gold or gold alloys, unwrought.
 Mechanical lighters and similar lighters, including chemical and electrical lighters, and parts thereof.

Japan

All imports into Japan are subject to licensing. The three basic systems of licensing, in the order of increasing restrictiveness, are: the automatic approval (AA) system, the automatic fund allocation (AFA) system, and the exchange fund allocation (EFA) system. A semiannual foreign exchange budget allocates exchange among the three systems.

Import licenses for commodities on the AA list are issued automatically to importers at any foreign exchange bank. The import of commodities on the AFA list requires application to the Ministry of International Trade and Industry (MITI) but licenses, although normally issued automatically, are under closer control of MITI and funds are much more limited than in the case of AA commodities. Under the EFA system, which is the most restrictive, MITI indicates through notices the items for which exchange is available as well as the opening and closing dates for the filing of applications. For the Japanese fiscal year 1961 (ending March 1962) more than half of the allocations were for commodities on the AA list.

Japan maintains a number of bilateral trade agreements with various countries. Those agreements deal with specific commodities which the Government regards as "target" arrangements, representing the enlargement of global quotas. The administrative discretion in the licensing system, particularly in the EFA system, however, raises the possibility of less favorable treatment against third countries as a consequence of efforts to fulfill bilateral "targets."

Considerable progress was made in 1961 in the relaxation of trade and exchange restrictions, although Japan continues to maintain a relatively high degree of control over imports. The foreign exchange budgets for imports have been enlarged and allocations for items under the EFA system have increased. The liberalization program announced by the Japanese in June 1960 for the relaxation of import restrictions by transferring items from the EFA system to either the AA or the AFA systems had made substantial progress. In April of 1960 commodities which represented about 40 percent of Japan's total imports in 1959 were unrestricted in that they could be imported under either the AA or AFA systems. Since then, restrictions have been removed on other items so that by the end of 1961 70 percent of Japan's trade had been liberalized. U.S. exports to Japan in 1961 reached the unprecedented value of over \$1.7 billion. Japan has committed itself to proceed with liberalization so that 90 percent of its trade will be free of restrictions by October 1962.

Despite the deterioration in Japan's balance of payments in 1961, Japan continues to liberalize its trade. The liberalization program, however, is being cushioned to some extent by tariff increases on a number of commodities as a