about 7 per cent of the value of all imports in 1959.[26] Quotas on nonagricultural products apply to all or part of 86 tariff items.[27] Because quotas are usually imposed on categories of products rather than on individual items, licensing officials have wide discretionary authority, which creates uncertainty for imports of particular products. These Japanese import restrictions, as well as the restrictions applied by the other industrial countries on Japanese exports, are discussed further in Chapter VII of this volume.

Closely related to quantitative restrictions and sometimes almost inseparable from them is the problem of state trading. When a government agency (or monopoly) is given the exclusive right to import a product for resale domestically, its decisions relating to purchases and domestic resale may have the same trade effects as quantitative restrictions (or tariffs). Only if the state-trading agency bases these decisions on commercial considerations would they have a neutral effect on trade. But even with the best intentions, it may be very difficult, if not impossible, for a state-trading agency to act as if it were a private trader.

No industrial country conducts all or most of its foreign trade through state-trading agencies as do countries of the Soviet Bloc and a few others, such as the United Arab Republic. Nevertheless, some of them resort to state trading in such nonagricultural products as ethyl alcohol and alcoholic beverages, salt, manufactured tobacco, matches, and coal.

Apart from coal, which, as indicated above, is state-traded

[26] Thus, it is alleged that Japan has liberalized 93 per cent of its imports. Although such a liberalization standard has been widely used, particularly by OEEC countries, to measure the liberalization of postwar balance-of-payments restrictions, it is obviously unsatisfactory, because imports in the base period were subject to restrictions. Under this standard, little or no liberalization credit is given for the elimination of restrictions that permitted little or no trade in 1959, but much credit is given for the elimination of restrictions that allowed a large volume of trade.

[27] Restricted items are heavily concentrated in machinery and include machine tools (mostly used), industrial sewing machines, large computers, outboard motors, boilers, and typewriters. Other items are sulphur, graphite, iron pyrites, tungsten ores, coal, petroleum, soda ash, menthol, sodium glutamate, certain antibiotics, flavors, cosmetics, starches and glues, color film, leather, certain textiles, footwear, glass, alloy tool steel, electric generators, telephone switchboards, and thermionic tubes. See GATT document L/2740/Add. 1, February 9, 1967.