

2-A Appendixes: Japanese System for Temporary Imports for Re-exportation¹⁾

2-A-1 Customs Tariff Law (Art. 17 - 19)

(Exemption from Customs Duty for Re-exportation)

Article 17. With regard to any imported goods as specified in any of the following sub-paragraphs, the customs duty chargeable thereon shall be exempted, as may be prescribed by a Cabinet Order, if they are exported within one year (or, within a period which is prescribed by a Cabinet Order, in the case of goods as specified in sub-paragraph (11); or, within a period as designated by the Director-General of Customs which is longer than the said period, in the case of goods to which an approval was given by the Director-General of Customs, as may be prescribed by a Cabinet Order, for the reason that there is an inevitable cause to postpone the said period) from the date of import permit thereof.

- (1) Goods to be processed or offered as materials for processing, as may be prescribed by a Cabinet Order.
- (2) Containers for imported goods as may be prescribed by a Cabinet Order.
- (3) Goods to be used as containers for export goods may be prescribed by a Cabinet Order.
- (4) Goods to be repaired.
- (5) Articles for scientific research.
- (6) Articles for test.
- (6-2) Articles to be used by any person exporting or importing goods, for testing the capacity or performance of, or for examining the quality of, the goods so exported or imported.
- (7) Samples for receiving orders or for manufacturing, or photographs, films, models or any other similar articles only used as substitutes for those samples.
- (7-2) Articles to be used at an international athletic meet, international conference or the like.
- (8) Articles for the performance of travelling showmen entering Japan and instruments and implements to be used for taking film by motion picture producers entering Japan.
- (9) Articles for exhibiting at an exposition, exhibition, competition, etc.
- (10) Automobiles, vessels, aircrafts or any other goods, as designated by a Cabinet Order, which are brought into Japan by any person with him, or imported separately by him, as may be prescribed by a Cabinet Order, as unaccompanied goods, who enters into Japan for the purpose other than removal of his residence to Japan and which are intended for his own personal use.
- (11) Goods, as may be prescribed by a Cabinet Order, which are, under the provisions of any treaty concerned, exempted from customs duty on condition that they should be exported within a specified period of time after their importation.

2. The provision of paragraph 3 of Article 13 shall apply mutatis mutandis to the case where customs duty is exempted under the preceding paragraph.

3. Any person who enjoyed the benefit of duty exemption under the provisions of paragraph 1 shall, when he exports the goods, the customs duty on which was so exempted, within the period referred to in the said paragraph, report to the customhouse to that effect, as may be prescribed by a Cabinet Order.

4. In cases where the goods customs duty on which was exempted under paragraph 1 have not been exported within the period of time as specified in the said paragraph or were offered for use other than those specified in any of the sub-paragraphs of the said paragraph, the customs duty exempted under the said paragraph shall forthwith be collected.

5. The provisions of the proviso to paragraph 7 of Article 13 shall apply mutatis mutandis to the case where customs duty is collected under the provisions of the preceding paragraph. In this case, the terms "the raw materials for manufacture or the goods manufactured therefrom" and "the raw materials for manufacture, to which the approval referred to in the proviso to the

1) Chuo Shuppan Kikan Co., Japan Laws, Ordinance and Other Regulations concerning Foreign Exchange and Foreign Trade, 1986.

preceding paragraph was given" in the proviso to paragraph 7 of the said Article shall read "the said goods".

(Duty Reduction for Re-exportation)

Article 18. With regard to those goods, as may be prescribed by a Cabinet Order, which may be used for a long period of time and which are imported, in order to enable them to be used temporarily in Japan, normally in accordance with a lease contract or in connection with an implementation of contract, and are exported within two years or, within such a period as may be prescribed by a Cabinet Order, which may be used for particularly long period of time. Hereinafter in paragraph 3 referred to as the same) from the date of their import permit, the customs duty chargeable thereon may be reduced, as may be prescribed by a Cabinet Order.

2. When customs duty is to be reduced in accordance with the provisions of the preceding paragraph, the Director-General of Customs may require a security to be deposited, which shall be equivalent to the amount of customs duty so reduced.

3. In case where the goods the customs duty on which was reduced under paragraph 1 have not been exported within two years from the date of their import permit, the customs duty so reduced under the said paragraph shall forthwith be collected. In this case, the provision of paragraph 5 of the preceding Article shall apply mutatis mutandis.

4. The provisions of paragraph 3 of the preceding Article shall apply mutatis mutandis to any person for whom customs duty was reduced under the provisions of paragraph 1.

(Reduction, Exemption or Refund of Customs Duty on Raw Materials for Manufacturing Export Goods)

Article 19. With regard to any imported raw materials which are to be used for manufacturing export goods and are prescribed by a Cabinet Order, the customs duty chargeable thereon shall be reduced, exempted or refunded wholly or partially, as may be prescribed by a Cabinet Order, if the said manufacturing is carried out at the manufacturing factory approved by the Director-General of Customs and the goods manufactured from the said raw materials are exported. In this case, reduction or exemption from customs duty shall only be made when the said goods are exported within two years (or, with regard to products manufactured in accordance with paragraph 3, within such a period of time as designated by the Director-General of Customs within the limit of one year) from the date of import permit of the said raw materials.

2. The provisions of paragraphs 2 to 6 and 8 of Article 13 shall apply mutatis mutandis to the case where customs duty is reduced or exempted under the preceding paragraph. In this case, the first sentence of paragraph 6 of Article 13 shall read "The raw materials customs duty on which was reduced or exempted under paragraph 1 of Article 19 or the goods manufactured from the said raw materials shall not, within two years (or, with regard to goods manufactured in accordance with the provisions of paragraph 3 of the said Article, within such a period of time as designated by the Director-General of Customs within the limit of one year) from the date of the import permit of the raw materials, be offered for use other than those as provided for in paragraph 1 of the said Article or transferred so that they may be offered for use other than those as provided for in the said paragraph or offered for use other than exportation or transferred so that they may be offered for use other than exportation."

3. When, in cases where any goods are manufactured, with an approval by the Director-General of Customs under paragraph 4 of Article 13, which is applied mutatis mutandis in the preceding paragraph, from the raw materials customs duty on which was reduced or exempted under paragraph 1 (hereinafter in this Article referred to as "raw materials for manufacturing export goods"), in mixture with any other raw materials of a similar kind, and the goods so manufactured have the same quality as those which would have been manufactured solely from the raw materials for manufacturing export goods, the said goods are exported within such a period of time as designated by the Director-General of Customs within the limit of one year from the date of import permit of the said raw materials for manufacturing export goods, a quantity of raw materials for manufacturing export goods which is necessary to manufacture the said export goods shall, within the limit of the quantity of the said raw materials for manufacturing export goods, as may be prescribed by a Cabinet Order, be regarded as used for manufacture of the said export goods.

4. The customs duty reduced or exempted under paragraph 1 shall forthwith be collected, in any of the cases as enumerated in any of the following sub-paragraphs, from any person found to come under any of the said sub-paragraphs. In this case, the provisions of the proviso to paragraph 7 of Article 13 shall apply mutatis mutandis.

- (1) When an approval as provided for the proviso to paragraph 6 of Article 13 which is applied mutatis mutandis in paragraph 2 is given with regard to raw materials for manufacturing export goods, or when the materials for manufacturing export goods are offered for use other than those as provided for in paragraph 1 without the said approval or are

transferred so that they might be offered for use other than those as provided for in the said paragraph, or when an approval as provided for in the proviso to paragraph 6 of Article 13 which is applied mutatis mutandis in paragraph 2 is given with regard to the goods, or when the goods are offered for use other than exportation or are transferred so that they might be offered for use other than exportation, without the said approval.

- (2) When the report as provided for in paragraph 5 of Article 13, which is applied mutatis mutandis in paragraph 2, is not made or the goods are not exported, within two years (or, with regard to the goods manufactured under paragraph 3, within the period of time as designated by the Director-General of Customs under paragraph 1) from the date of import permit of the materials for manufacturing export goods.
- (3) When the raw materials for manufacturing export goods are offered for manufacture at a place other than manufacturing factory approved by the Director-General of Customs under paragraph 1 or when they are used in contravention of paragraph 4 of Article 13 which is applied mutatis mutandis in paragraph 2.

5. For the purpose of application of the provisions concerning the refund of customs duty under paragraph 1, the exportation referred to in the said paragraph shall mean to include the reshipment to any foreign country of any foreign goods which are manufactured from the raw materials referred to in the said paragraph in mixture with foreign goods which are the raw materials for work in bond.

(Exemption from Customs Duty or Duty Refund When Products Manufactured from Duty-Paid Materials, etc. are Exported)

Article 19-2. When, in cases where an order is received from a foreign country to purchase any products being manufactured at a bonded manufacturing warehouse, it is confirmed, as may be prescribed by a Cabinet Order, by the Director-General of Customs that it is difficult to manufacture the products from raw materials, which are foreign goods being used at the bonded manufacturing warehouse, and to ship them to a foreign country within the period of delivery referred to in the order, whereas the products manufactured at the bonded manufacturing warehouse from raw materials which are not foreign goods but similar to the above-mentioned raw materials (or, in case of any of the products as may be prescribed by a Cabinet Order, the products manufactured from raw materials which are not foreign goods) are shipped to a foreign country, there shall be exempted from customs duty, as may be prescribed by a Cabinet Order, on foreign goods similar to the said raw materials which are to be imported by the person who manufactured the said products within six months from the date of export permit (or, permit of reshipment. Hereinafter in the next paragraph referred to as the same.) of the said products, within the limit of a quantity, which is to be confirmed by the Director-General of Customs, of raw materials, other than foreign goods, which have been used for manufacturing the said products (or, in case where any other goods are manufactured simultaneously in the process of manufacturing the said products, a quantity as may be prescribed by a Cabinet Order as corresponding to the said products of the quantity of the said raw materials).

2. When, in cases where it is deemed necessary to use duty-paid imported goods as raw materials for manufacturing export goods in the course of work in bond at a bonded manufacturing warehouse for the reason that stocks of foreign goods which are intended to be used as raw materials had been used up or for any other reason, and it is deemed difficult to have the provisions of the preceding paragraph applied to the situation, the said imported goods are entered, with a prior approval of the Director-General of Customs, into the bonded manufacturing warehouse without any change in nature and form at the time of their importation within three months after their import permit and goods manufactured from the said imported goods are exported, the customs duty paid for the imported goods may, as may be prescribed by a Cabinet Order, be wholly or partially refunded.

3. The provisions of Article 54 (Obligation of book-keeping) and Article 58 (Report on work in bond) of the Customs Law shall apply mutatis mutandis to the goods entered into a bonded manufacturing warehouse, to which the provisions of the preceding paragraph is applied.

2-A-2 Cabinet Order for Enforcement of the Customs Tariff Law (Chapter 8-10)

CHAPTER 8 Exemption from Customs Duty for Re-exportation

(Designation of Duty-Exempt Goods for Processing)

Article 31. The goods as may be prescribed by a Cabinet Order under sub-paragraph (1) of paragraph 1 of Article 17 (Duty exemption for re-exportation of goods for processing) of the Law shall be as follows.

- (1) Products imported for carving, cloisonnes, inlaying, enameling, coating, picture painting, designing, sound recording, picture recording, coloring or printing, or for metal plating.
- (2) Porcelains or potteries imported for glazing picture or design.
- (3) Yarns, threads, twines, etc. and fabrics and manufactures thereof imported for scouring, bleaching, raising, dyeing and finishing or twisting.
- (4) Fabrics and manufacture thereof imported for drawnwork, linking, embroidery or hemming.
- (5) Furskins, hides and skins imported for tanning, coloring, lining or any other processing.
- (6) Goods imported for simple fixing with, pasting on, or enclosing in, goods to be exported, or for packing of goods to be exported.
- (7) Goods imported for developing sensitised film, grinding of synthetic precious stone and any other similar simple processing (i.e. processing which does not prevent an easy identification of imported goods, at a time of their re-exportation) or for their use as materials for such processing.
- (8) Goods, other than those specified in the preceding sub-paragraphs, which are deemed necessary for promoting a processing trade and are designated by the Minister of Finance.

(Designation of Duty-Exempt Containers for Imported Goods)

Article 32. The containers as may be prescribed by a Cabinet Order under sub-paragraph (2) of paragraph 1 of Article 17 (Duty exemption for re-exportation of containers for imported goods) of the Law shall be as follows.

- (1) Cylinders, containers and any other similar receptacles to be used repeatedly for transportation of goods.
- (2) Bobbins which are used as container at a time of importation of goods.
- (3) Goods, other than those specified in the preceding two sub-paragraphs, which are used as containers at a time of importation of goods and are designated by the Minister of Finance.

(Designation of Duty-Exempt Containers for Export Goods)

Article 33. The goods as may be prescribed by a Cabinet Order under sub-paragraph (3) of paragraph 1 of Article 17 (Duty exemption for re-exportation of goods to be used as containers for export goods) of the Law shall be as follows.

- (1) Cans, bottles, barrels, pots, boxes, bags or bobbins to be used as containers at a time of exportation of goods.
- (2) Cylinders, containers and any other similar receptacles to be used repeatedly for transportation of goods.
- (3) Goods, other than those specified in the preceding two sub-paragraphs, to be used as containers at a time of exportation of goods and designated by the Minister of Finance.

(Designation, etc. of Duty-Exempt Personal Effects Brought by Person Temporarily Entering Japan)

Article 33-2. The goods as may be prescribed by a Cabinet Order under sub-paragraph (10) of paragraph 1 of Article 17 (Duty exemption for re-exportation of personal effects brought by person temporarily entering Japan) of the Law shall be jewellery, camera, typewriter and any other goods which are deemed appropriate by the customhouse, taking into account a period of his stay in Japan, quality and quantity of the imported goods and any other circumstances.

2. Any person who is to enjoy the benefit of duty exemption on the goods as specified in the preceding paragraph under paragraph 1 of Article 17 of the Law shall, at a time of their importation, take such step as registration of number, sealing, indication, etc. for confirmation of re-exportation of the goods, whenever the customhouse finds it necessary for such confirmation and instructs him to do so.

(Designation of Duty-Exempt Goods for Re-exportation under the Provisions of Treaty)

Article 33-3. The goods as may be prescribed by a Cabinet Order under sub-paragraph (11) of paragraph 1 of Article 17 (Duty-exempt goods for re-exportation under the provisions of treaty) of the Law shall be the goods as enumerated in the following sub-paragraphs, whereas the period of time, with respect to the goods, as provided for in the said paragraph shall be the period of time as provided for in any of the following sub-paragraphs, concerned. However, the duty exemption shall be granted on a reciprocal basis for goods originating in any country which maintains any reservation on the treaties as provided for in any of the following sub-paragraphs.

- (1) Samples and advertising films imported under the provisions of Article 3 (Temporary importation of duty-exempt samples) or Article 5 (Temporary importation of duty-exempt advertising films) of the International Convention to Facilitate the Importation of Commercial Samples and Advertising Materials; one year.
- (2) Tourist publicity documents and material imported under the provisions of Article 3 (Temporary importation of duty-exempt tourist publicity documents and material) of the Additional Protocol to the Convention concerning Customs Facilities for Touring relating to the Importation of Tourist Publicity Documents and Material; one year.
- (3) Welfare materials for crew members imported under the provisions of Article 5 (Temporary importation of duty-exempt welfare materials used at welfare facilities) of the Customs Convention concerning Welfare Material for Seafarers; six months.
- (4) Goods imported under the provisions of Article 2 (Temporary admission of goods intended for display; etc.) of the Customs Convention concerning Facilities for the Importation of Goods for Display or Use at Exhibitions, Fairs, Meetings or Similar Events; one year.
- (5) Goods imported under the provisions of Article 2 (Temporary admission of professional equipment) of the Customs Convention on the Temporary Importation of Professional Equipment; one year.

(Formalities for Duty Exemption for Re-exports)

Article 34. Any person who is to enjoy the benefit of duty exemption under paragraph 1 of Article 17 (Duty exemption for re-exportation) of the Law shall, at a time of his import declaration of the goods to be exempted from customs duty, submit a document stating the descriptions and quantity of the goods, purpose of importation and scheduled date and place of exportation of the goods and place where they are to be used, to the Director-General of Customs having jurisdiction over a place of their importation.

(Provisions Applied Mutatis Mutandis When Duty-Exempt Goods for Re-exportation are Separately Imported as Un-accompanied Goods)

Article 35. The provisions of Article 14 shall apply mutatis mutandis to a person who is to enjoy the benefit of duty exemption under sub-paragraph (10) of paragraph 1 of Article 17 (Duty exemption for re-exportation on personal effects brought by person temporarily entering Japan) of the Law with respect to automobiles, vessels, aircrafts and goods as specified in paragraph 1 of Article 33-2, which are separately imported as unaccompanied goods. In this case, the provisions of the preceding Article shall not be prevented from being applied.

(Formalities for Importation of Duty-Exempt Goods for Re-exportation)

Article 36. Any person who is to enjoy the benefit of duty exemption under sub-paragraph (1) of paragraph 1 of Article 17 (Duty exemption for re-exportation on goods for processing) of the Law shall state, on the import declaration of the goods to be exempted from customs duty, the purpose of importation of such goods, kind of processing, address and name of a person who is to carry out the processing and scheduled place of their exportation.

2. Any person who is to enjoy the benefit of duty exemption under any of sub-paragraphs (2) to (10) of paragraph 1 of Article 17 (Duty exemption for re-exportation on containers, etc. for imported goods) of the Law, shall state, on the import declaration of goods to be exempted from customs duty, the purpose of importation and scheduled place of exportation of the goods.

(Report on Use, etc. of Duty-Exempt Goods for Re-exportation for Other Than Those Specified)

Article 37. Any person who enjoyed the benefit of duty exemption under the provisions of any of the sub-paragraphs of paragraph 1 of Article 17 (Duty exemption for re-exportation) of the Law shall, when he is to offer the duty-exempt goods for use other than those specified in any of the said sub-paragraphs, within the period of time as provided for in the said paragraph, submit in advance to the Director-General of Customs having jurisdiction over a place where they are placed, a report stating the descriptions and quantity of the goods, name of customhouse which issued an import permit, date and number of their import permit, and new use for which they are to be offered and date of such use.

2. The provisions of paragraph 4 of Article 26 shall apply mutatis mutandis to the goods as prescribed in the preceding paragraph.

(Formalities for Application for Approval to Extend the Period of Time for Re-exportation)

Article 37-2. Any person who is to obtain an approval of the Director-General of Customs under paragraph 1 of Article 17 (Duty exemption for re-exportation) of the Law shall submit an application stating the descriptions and quantity of the goods for which such approval is sought, scheduled date and place of exportation of the goods, reason for application for the approval and any other matters for reference, to the Director-General of Customs having jurisdiction over a place of importation of the said goods.

(Provisions Applied Mutatis Mutandis When Duty-Exempt Goods for Re-exportation are Lost or Destroyed)

Article 38. The provisions of paragraph 1 (excluding the proviso) of Article 11 shall apply mutatis mutandis to the case where goods exempted from customs duty under paragraph 1 of Article 17 (Duty exemption for re-exportation) of the Law are lost, within the period of time as provided for in the said paragraph, due to a disaster or any other unavoidable reason, whereas the provisions of paragraph 2 of Article 11 shall apply mutatis mutandis to the case where the said goods are to be destroyed within the said period, and the provisions of paragraph 3 of Article 11 to the case where duty reduction is sought under the proviso to paragraph 7 of Article 13 (Where raw materials for manufacture are lost or destroyed, etc.) of the Law which is applied mutatis mutandis in paragraph 5 of Article 17 (Duty reduction for deterioration or damage, etc. when goods are used for other than those specified) of the Law.

(Formalities for Exportation of Duty-Exempt Goods for Re-exportation)

Article 39. Any person, who is to export goods, the customs duty on which was exempted under paragraph 1 of Article 17 (Duty exemption for re-exportation) of the Law, within the period of time as provided for in the said paragraph, shall, at a time of export declaration, submit to the Director-General of Customs the import permit of the said goods or a customs certificate in lieu thereof. In this case, when such goods have been processed after their importation, such permit or customs certificate in lieu thereof shall be accompanied by a processing certificate prepared by a person who carried out the processing.

2. When the goods as prescribed in the preceding paragraph were exported, the Director-General of Customs shall state, on the import permit or customs certificate in lieu thereof as prescribed in the preceding paragraph, that the goods have already been exported (or, if the goods exported represent part of the goods specified in the import permit or customs certificate in lieu thereof or of the goods processed therefrom, that the goods have already been exported partially and the details of the goods so exported) and shall deliver it to a person who made the export declaration.

3. Any person who is to make a report under paragraph 3 of Article 17 (Report on exportation of duty-exempt goods for re-exportation) of the Law shall, within one month after the permit or certificate was delivered under the preceding paragraph, submit to the Director-General of Customs a report stating the following matters and shall, at the same time, produce the import permit or customs certificate in lieu thereof which was delivered under the said paragraph.

(1) Descriptions and quantity of the goods.

(2) Date and number of the import permit of the goods.

(3) Customhouse which issued the export permit, date of exportation, number of the permit and date when the permit or certificate was delivered under the preceding paragraph.

CHAPTER 9 Reduction of Customs Duty for Re-exportation

(Designation, etc. of Duty Reduced Goods for Re-exportation)

Article 40. The goods, as may be prescribed by a Cabinet Order under paragraph 1 of Article 18 (Duty reduction for re-exportation) of the Law, which are imported in order to enable them to be used temporarily in Japan, shall be those goods (including parts thereof) as enumerated in the first column of the Table below, whereas an amount of customs duty to be reduced under the said paragraph shall be the amount to be obtained through multiplying the amount of customs duty chargeable on the imported goods by the rate as shown in the second column of the said Table.

Description	Rate of Reduction
(1) Transmission special measuring equipment (for automatic measuring and recording of the degree of wearing out of coaxial cables)	50%
(2) Dredgers	40%
(3) Cinematographic cameras and lenses therefore (that can be used for production of 70mm film)	50%

2. The goods as may be prescribed by a Cabinet Order under paragraph 1 of Article 18 of the Law which may be used for long period of time shall be those goods, enumerated in (1) of the first column of the Table in the preceding paragraph, and the period as may prescribed by a Cabinet Order for the goods shall be three years.

(Application Mutatis Mutandis of the Provisions Relating to Duty-Exempt Goods for Re-exportation)

Article 41. The provisions of Article 34, paragraph 2 of Article 36, Article 38 and the first sentence of paragraph 1, paragraph 2 and paragraph 3 of Article 39 shall apply mutatis mutandis to the goods the customs duty on which is reduced under paragraph 1 of Article 18 (Duty reduction for re-exportation) of the Law.

Articles 42 50 46. (Deleted)

CHAPTER 10 Reduction, Exemption or Refund of Customs Duty on
Raw Materials for Manufacture of Export Goods

(Extent of Reduction or Exemption from Customs Duty on Raw Materials for Manufacture of Export Goods)

Article 47. The goods the customs duty on which shall be exempted under paragraph 1 of Article 19 (Reduction or exemption from customs duty on raw materials for manufacturer of export goods) of the Law shall be the imported raw materials, enumerated in the second column of the following Table, which are to be used for manufacture of export goods listed in the first column of the said Table.

Export goods	Imported raw materials
(1) Products of alloy containing lead or antimony (as prescribed by an Ordinance of the Ministry of Finance)	Unwrought lead (excluding alloy)
(2) Fish canned, bottled or barreled	Cotton seed oil
(3) Sodium glutamate	Soya bean oil cake, manioca starch, sago starch or molasses
(4) Refined sugar, sugar rock candy or cube sugar	Sugar
(5) Starch caramel or sugar caramel	Manioca starch, sago starch or sugar
(6) Lysine	Mollasses
(7) Refined glucose	Manioca starch, sago starch or potato starch
(8) Export goods, other than those enumerated above, the kind and quantity of raw materials for which can be identified from a production yield, etc. of the raw materials used, and which are approved by the Director-General of Customs as those which are not suitable to be manufactured at a bonded manufacturing warehouse for the reason that exportations are not made continuously or for any other reason.	Imported raw materials approved by the Director-General of Customs as to be used for manufacture of the export goods

2. The goods the customs duty on which shall be reduced under paragraph 1 of Article 19 of the Law shall be the imported raw materials, listed in the second column of the Table below, which are to be used for manufacture of export goods listed in the first column of the said Table, whereas the rate of customs duty on such imported raw materials shall be reduced to that specified in the third column of the said Table.

Export goods	Imported raw materials	Duty rate
(1) Sodium glutamate	Wheat flour	12.5%
(2) Vitamin C and derivatives thereof (including preparation which contain 95% or more by weight contain 95% or more by weight thereof. Referred to as "Vitamin C, etc." in Article 48.)	Manioca starch, sago starch or potato starch	2.5%
(3) Crystallized glucose	Manioca starch, sago starch or potato starch	2.5%
(4) L-Sorbic acid and derivatives thereof (Referred to as "L-Sorbic acid, etc." in Article 48.) or sorbitol	Manioca starch, sago starch or potato starch	2.5%

(Formalities for Approval of Duty Exemption on Raw Materials for Manufacture of Export Goods)

Article 47-2. Any person who is to obtain an approval as prescribed in (8) of the Table in paragraph 1 of the preceding Article shall submit to the Director-General of Customs having jurisdiction over a place of importation, an application stating the following matters, together with an application as prescribed in paragraph 1 of Article 6-3 which is applied mutatis mutandis in Article 49.

- (1) Descriptions and quantities of export goods and imported raw materials for which an approval is sought, and value of imported raw materials.
- (2) Production yield recorded when the export goods are manufactured from the imported raw materials, and basis for calculation thereof.
- (3) Scheduled date and place of importation of the imported raw materials.
- (4) Scheduled date and place of exportation of the export goods.
- (5) Name and location of the manufacturing factory where the manufacture is to be carried out.
- (6) Reason why an approval is sought.

(Quantity Regarded as Raw Materials for Manufacture of Export Goods When Raw Materials of the Same Kind are Used in Mixture)

Article 48. In cases where any product, manufactured from the raw materials for manufacture of export goods (i.e., the raw materials for manufacture of export goods as provided for in paragraph 3 of Article 19 of the Law. Hereinafter referred to as the same.) in mixture with any other raw materials of the same kind under paragraph 3 of Article 19 (Mixture of raw materials of the same kind) of the Law, is exported, a quantity of the raw materials for manufacture of export goods which may be regarded as having been used for manufacturer of export goods shall be as follows.

- (1) The raw materials listed in (1) of the Table in paragraph 1 of Article 47: Quantity of the raw materials containing the same quantity of lead as that contained in the export goods as enumerated in (1) of the said Table.
- (2) Cotton seed oil: The same quantity of cotton seed oil as that contained in the canned, bottled or barreled fish.
- (3) Soya bean oil cake or wheat flour: Quantity of soya bean oil cake or wheat flour containing the same quantity of crude protein as that necessary for manufacture of sodium glutamate.
- (4) Manioca starch or sago starch: Quantity of manioca starch or sago starch containing the same quantity of dried starch as that necessary for manufacture of sodium glutamate, starch caramel, refined glucose, Vitamin C, etc., crystallized glucose, L-Sorbic acid, etc., or sorbitol.
- (5) Molasses: Quantity of molasses containing the same total quantity of sugar (i.e., the total weight of sugar content calculated as sucrose. Hereinafter in this sub-paragraph referred to as the same.) as that necessary for manufacture of sodium glutamate or lysine.
- (6) Sugar: Quantity of sugar containing the same quantity of sucrose (i.e., the quantity calculated by regarding the degree of polarization of refined sugar, rock candy or cube sugar as the percentage of sucrose contained in them. Hereinafter in this Article referred to as the same.) as that contained in refined sugar, rock candy or cube sugar.
- (7) Potato starch: Quantity of potato starch containing the same quantity of dried starch as that necessary for manufacture of refined glucose, Vitamin C, etc., crystallized glucose, L-Sorbic acid, etc., or sorbitol.
- (8) Raw materials to be used for manufacture of export goods approved by the Director-General of Customs listed in (8) of the Table in paragraph 1 of Article 47: Quantity of the said raw materials which are deemed to have been used for manufacture of the said export goods, taking into account a production yield, etc. of the raw materials approved by the Director-General of Customs.

2. For the purpose of calculation of quantity of sucrose contained in the refined sugar, rock candy or cube sugar enumerated in sub-paragraph (6) of the preceding paragraph, if the polarization is 99.5° or more, their total quantity shall be regarded as that of sucrose, whereas, if the polarization is less than 99.5°, the quantity of sucrose contained plus the quantity equivalent to 95% of the inverted sugar shall be regarded as that of sucrose.

(Application Mutatis Mutandis of the Provisions Relating to Raw Materials for Manufacture)

Article 49. The provisions of Articles 6-3 to 12 (excluding sub-paragraph (3) of paragraph 1 of Article 9) shall apply mutatis mutandis to the raw materials the customs duty on which is reduced or exempted under paragraph 1 of Article 19 (Reduction or exemption from customs duty on raw materials for manufacture of export goods) of the Law and to the export goods manufactured from the said raw materials (including the raw materials regarded as the raw materials for manufacture of export goods under paragraph 3 of Article 19 of the Law). In this case, the term, "structure and total floor space" in sub-paragraph (1) of paragraph 1 of Article 6-3 shall read "and structure"; the term "the raw materials for manufacture used or any other raw materials of similar kind used in mixture therewith" in sub-paragraph (2) of paragraph 1 of Article 12 shall read "raw materials for manufacture"; and the term "the Director-General of Customs having jurisdiction over a location of the manufacturing factory" in paragraph 1 of Article 6-3 and in paragraph 1 of Article 8 shall read "the Director-General of Customs having jurisdiction over a place of importation" with respect to the formalities relating to (8) of the Table in paragraph 1 of Article 47.

(Exceptional Treatment of Report and Examination When Manufacture of Raw Materials for Manufacture of Export Goods is Completed)

Article 50. Any person who is to make a report under paragraph 1 of Article 9 which is applied mutatis mutandis in the preceding Article may submit a report as prescribed in the said paragraph, at a time of export declaration of the export goods, to the customhouse to which the export declaration is made, if he obtained a prior approval from the Director-General of Customs. In this case, the examination under paragraph 2 of Article 9 which is applied mutatis mutandis in the preceding Article shall be performed at a time of examination of the said export goods as provided for in Article 67 (Export or import permit) of the Customs Law, and an examination certificate of products as prescribed in paragraph 3 of Article 9 shall not be required to be issued.

(Simplified Formalities for Designated Manufacturing Factory)

Article 50-2. With regard to manufacturing factory of export goods as enumerated in (1) to (7) of the Table in paragraph 1 of Article 47 and of export goods as enumerated in the Table in paragraph 2 of the said Article, a report as prescribed in paragraph 1 of Article 9 which is applied mutatis mutandis in Article 49 may be substituted with a report, which is to be submitted monthly by tenth of the next month to the Director-General of Customs having jurisdiction over the said manufacturing factory, stating such matters as prescribed in any of the sub-paragraphs of paragraph 1 of Article 49-2 (Formalities for report as to designated bonded manufacturing warehouse) of the Cabinet Order for Enforcement of the Customs Law (Cabinet Order No.150 of 1954), when these goods are exported continuously and if the said Director-General of Customs found that there was no difficulty to supervise the factory and designated it. In this case, the provisions of Article 9 which are applied mutatis mutandis in Article 49 and the provisions of the preceding and following Articles shall not apply.

2. The Director-General of Customs may, when he designates under the preceding paragraph, prescribe a rule, which is necessary for customs supervision, as to formalities for importation of raw materials for the said export goods and exportation of the said export goods as well as keeping of documents relating thereto, whereas any manufacturing factory so designated shall observe the rule so prescribed.

(Formalities for Exportation of Goods Manufactured by Using Raw Materials for Manufacture of Export Goods)

Article 51. Any person who is to export goods manufactured by using raw materials for manufacture of export goods, within the period of time as provided for in the second sentence of paragraph 1 of Article 19 (Duty reduction or exemption on raw materials for manufacture of export goods) of the Law shall, at a time of export declaration, submit to the Director-General of Customs an import permit of the said raw materials or a customs certificate in lieu thereof and an examination certificate of products issued under paragraph 3 of Article 9 which is applied mutatis mutandis in Article 49 (or, in the case of a person to whom the provisions of the preceding Article are applied, a document as to report as prescribed in the said Article.)

2. When the goods as prescribed in the preceding paragraph are exported, the Director-General of Customs shall state, on the import permit or customs certificate in lieu thereof as prescribed in the said paragraph, that the goods have already been exported (or, if the goods exported represent part of the goods to be manufactured by using the raw materials for manufacture of export goods specified in the import permit or customs certificate in lieu thereof, that the goods have already been exported partially and the details of the goods so exported.), and shall deliver it to a person who made the export declaration.

(Amount, etc. of Duty Refund on Raw Materials for Manufacture of Export Goods)

Article 52. Imported raw materials for export goods the customs duty on which may be refunded under paragraph 1 of Article 19 (Duty refund on raw materials for manufacture of export goods) of the Law when the export goods are exported (or, reshipped. Hereinafter to Article 54-9 referred to as the same.) shall be the imported raw materials, listed in the second column of the Table below, which are to be used for manufacture of export goods listed in the first column of the said Table, whereas an amount of customs duty to be refunded under the provisions of the said paragraph shall be the amount listed in the third column of the said Table.

Export goods	Imported raw materials	Amount of refund
(1) Fruits, jams, marmalades, fruit juices, non-alcoholic beverages, lactic acid beverages, tomato ketchup or vegetables in can, barrel or any other container, liquor, powdered milk sugared, condensed milk sugared or such other goods as prescribed by an Ordinance of the Ministry of Finance.	Sugar (of a polarization more than 98°)	Whole amount of customs duty paid on the imported raw materials, listed in the second column of this table, of the same quantity of cane sugar as that contained in the export goods listed in the first column of this Table (or, if the imported raw materials used of manufacture of the export goods are those goods to which the provisions of paragraph 1 of Article 18 (Duty exemption for specific use at manufacturing factory) of the sugar Excise Tax Law (Law No. 38 of 1955) apply or which have been approved by the Chief of Taxation Office concerned under the provisions of paragraph 1 of Article 22 of the said Law, the imported raw materials which have been used with the application of the said Article 18 or with the said approval. Hereinafter in this subparagraph referred to as the same.)
	Sugar (of a polarization not more than 98°)	Whole amount of customs duty paid on the imported raw materials, listed in the second column of this Table, of a quantity of cane sugar of up to 100/95 of cane sugar contained in the export goods listed in the export goods listed in the first column of this Table.
(2) Whisky or brandy	Whisky listed in No. 22.09-1-(1)-A of the Annexed Tariff of the Law or brandy listed in No. 22-09-1-(2)-A of the said Tariff	Whole amount of customs duty paid on the imported raw materials, listed in the second column of this Table, which have been used for manufacture of the export goods listed in the first column of this Table.

2. The imported raw materials for which customs duty may be refunded under the provisions of the preceding paragraph shall be those imported raw materials listed in the second column of the Table in the preceding paragraph, which are related to the export goods listed in the first column of the said Table and manufactured at a manufacturing factory approved by the Director-General of Customs, when such export goods have been withdrawn from such factory on or after the date when such approval was given.

(Formalities for Application for Approval of Manufacturing Factory, etc.)

Article 53. Any person who is to obtain an approval of manufacturing factory as provided for in paragraph 1 of Article 19 (Duty refund on raw materials for manufacture of export goods) of the Law shall submit to the Director-General of Customs having jurisdiction over a location of the manufacturing factory an application stating the following matters.

- (1) Name and location of the manufacturing factory.
 - (2) Period of approval of the manufacturing factory to be applied for.
 - (3) Descriptions of raw materials to be used in the manufacturing factory for which customs duty is to be refunded under paragraph 1 of Article 19 of the Law (and, in the case of raw materials designated by the Director-General of Customs, trade name of the raw materials), estimated quantity to be used and source of the raw materials.
 - (4) Descriptions and method of manufacture of goods to be manufactured from the raw materials as prescribed in the preceding sub-paragraph, and estimated quantity to be exported.
2. In case where a manufacturing factory as prescribed in the preceding paragraph is a bonded manufacturing warehouse, there shall be stated to that effect, on an application as prescribed in the said paragraph, and the descriptions of raw materials being foreign goods which are used for work in bond and the descriptions of the products manufactured with the said raw materials used.
3. Any person who obtained an approval under paragraph 1 shall keep a copy of a report on manufacture of goods or certificate on manufacture of goods, as prescribed in sub-paragraph (1) of paragraph 1 of the next Article and prepared by himself for two years from a date when it is so prepared.
4. The provisions of paragraph 2 of Article 6-3 and Article 12 (excluding sub-paragraphs (2), (4) and (6) of paragraph 1) shall apply mutatis mutandis to an application for approval to be made under paragraph 1 or to a person who obtained the approval.

(Formalities for Exportation of Goods Manufactured by Using Raw Materials Customs Duty on Which is Refunded)

Article 53-2. Any person who is to export goods manufactured by using raw materials the customs duty on which is refunded under paragraph 1 of Article 19 (Duty refund on raw materials for manufacture of export goods) of the Law shall, at a time of exportation of such goods, submit to the Director-General of Customs an export declaration, accompanied by a document specified in any of the following sub-paragraphs.

- (1) Report on manufacture of goods (or, when a person who is to export the goods is any person other than those who manufactured the said goods with an approval as prescribed in paragraph 1 of the preceding Article, a certificate of manufacture of goods prepared by the person who manufactured them with the said approval).
 - (2) When the raw materials the customs duty on which is refunded and which were used for manufacture of the said goods are the goods to which the provisions of paragraph 1 of Article 18 (Tax exemption for specific use at manufacturing factory) of the Sugar Excise Tax Law (Law No. 38 of 1955) are applied or for which an approval was given by a chief of Taxation Office concerned under paragraph 1 of Article 22 (Refund money) of the said Law; A document certifying such application or approval.
2. The Director-General of Customs shall, when he gives an export permit of the goods as prescribed in the preceding paragraph, state to that effect on a report on manufacture of goods or certificate of manufacture of goods as prescribed in sub-paragraph (1) of the said paragraph (Hereinafter in this Article and the following Article, these documents shall be referred to as "document for duty refund."), with respect to the said goods, any give it to a person who made the export declaration, whereas, when the goods were exported, he shall ask the said person to produce the said report or certificate, state thereon that the goods have already been exported (or, if the goods exported represent part of the goods for which an export permit was given, that the goods have already been exported partially and the details of the goods so exported), and return it to a person who made the export declaration.
3. Any person, who received a document for duty refund indicating that an export permit was given under the preceding paragraph, shall submit the document to the customhouse, without delay, when it is found that the goods are not to be exported wholly due to cancellation of a contract, loss of the goods, etc.

(Formalities for Duty Refund on Raw Materials for Manufacture of Export Goods)

Article 54. Any person who is to receive a duty refund under paragraph 1 of Article 19 (Duty refund on raw materials for manufacture of export goods) of the Law shall receive such refund every quarter (or every month, in those cases as specified by an Ordinance of the Ministry of Finance, taking into account the kind of export goods and any other circumstances. Hereinafter in this Article referred to as the same.) of a fiscal year, with respect to customs duty on raw materials used for manufacture of the goods which were exported during the said quarter of the fiscal year, and shall submit to the Director-General of Customs who issued the export permit of the said goods or to the Director-General of Customs having jurisdiction over a location of main office of a person who exported the said goods (Hereinafter in this Article referred to as "an exporter".) (or, if a person who is to receive a duty refund is a person who manufactured the said goods with an approval as prescribed in paragraph 1 of Article 53 (Hereinafter in this Article referred to as "a manufacturer"), to the Director-General of Customs having jurisdiction over a location of the manufacturing factory covered by the said approval of the main office of the said person), within two months from a day immediately following the last day of the quarter of the fiscal year, applications stating the following matters by individual goods manufactured by using the raw materials the customs duty on which is refunded.

(1) Amount of customs duty to be refunded and basis for calculation thereof.

(2) Descriptions and quantities of the goods exported during the quarter of the fiscal year and the raw materials used for manufacture of the said goods.

2. An application as prescribed in the preceding paragraph shall be accompanied by a report on manufacture of goods or certificate of manufacture of goods, as prescribed in sub-paragraph (1) of paragraph 1 of the preceding Article, which was returned by the Director-General of Customs under the provisions of paragraph 2 of the said Article and any other document which is prescribed by an Ordinance of the Ministry of Finance.

3. Matters to be stated on a report manufacture of goods and a certificate manufacture of goods as prescribed in sub-paragraph (1) of paragraph 1 of the preceding Article and any other necessary matters concerning a document for duty refund shall be prescribed by an Ordinance of the Ministry of Finance.

4. An application as prescribed in paragraph 1 shall be made in the name of the manufacturer or exporter of the goods.

5. Notwithstanding the provisions of paragraph 1 and the preceding paragraph, any export association or export-import association, or any association to conduct business for exportation of the goods, in which a manufacturer of the goods approved under paragraph 1 of Article 53 is participating and which has been confirmed as such by the Director-General of Customs having jurisdiction over a location of its main office (Hereinafter in this Article referred to as "association, etc.") shall be free to submit, in the name of the said association, etc., to the Director-General of Customs having jurisdiction over a location of its office an application referred to in paragraph 1 with respect to members of the association, etc.

6. When any exporter, other than a manufacturer, gives a copy of export declaration to the association, etc., in order to enable the association, etc. to submit an application in its name for a quarter of a fiscal year under the preceding paragraph, he shall not be allowed to submit an application in his name under paragraph 1 with respect to any goods, exported during that quarter, which were manufactured by the same manufacturer and are the goods covered by an application to be submitted by the said association, etc. in its name. However, this shall not apply to the case where a certificate of manufacture of goods is prepared for export goods covered by such application in each transaction between a manufacturer of the said goods and the said exporter and an application is submitted under the said paragraph, together with the said certificate.

(Formalities for Confirmation, etc. When Goods Manufactured from Domestic Raw Materials are Exported)

Article 54-2. Any person who is to receive a confirmation by the Director-General of Customs under paragraph 1 of Article 19-2 (Duty exemption when goods manufactured from domestic raw materials are exported) of the Law in order to see the provisions of the said paragraph applied shall, at a time of export declaration of the goods, submit to the Director-General of Customs, to whom the export declaration is to be made, for his confirmation, a document stating the following matters, if he is a person who obtained an approval of a bonded manufacturing warehouse designated by the Director-General of Customs (excluding a bonded manufacturing warehouse which is notified by the Director-General of Customs as the one to which the provisions of paragraph 3 are to be applied, taking into account the kind of work in bond any other circumstances) under paragraph 1 of Article 61-2 (Simplified formalities for designated bonded manufacturing warehouse) of the Customs Law and if the goods and the raw materials to be so confirmed are the

goods and raw materials of the same kind as those specified by the Director-General of Customs under paragraph 1 of the said Article.

- (1) Descriptions and quantities of the goods to be exported.
- (2) Descriptions and quantities of the raw materials which are not foreign goods, as provided for in paragraph 1 of Article 19-2 of the Law (including any other major raw materials than the said raw materials) and which have been used for manufacture of the goods as prescribed in the preceding sub-paragraph, and the basis for calculation of the quantity.
- (3) When any other goods are manufactured simultaneously in the process of manufacture of the goods as prescribed in sub-paragraph (1), descriptions and quantities of such other goods, and descriptions and quantities of the raw materials used to manufacture the said goods and basis for calculation of the quantities.
- (4) Reason why an application of the provisions of paragraph 1 of Article 19-2 of the Law is sought.
- (5) Any other matters for reference.

2. When, in cases where the Director-General of Customs made a confirmation under the preceding paragraph upon submission of a document as prescribed in the said paragraph, the goods as prescribed in the said paragraph were exported, he shall state, on the said document, that they have already been exported, together with any other necessary matters and shall return it to the person who sought the confirmation.

3. Any person who is to receive a confirmation by the Director-General of Customs under paragraph 1 of Article 19-2 of the Law in order to see the provisions of the said paragraph applied shall, if he is a person other than those specified in paragraph 1, submit, prior to export declaration of the goods covered by the confirmation, to the Director-General of Customs having jurisdiction over a location of the bonded manufacturing warehouse, for his confirmation, a document stating the matters as enumerated in the said paragraph and shall, at a time of export declaration of the said goods, submit to the Director-General of Customs, to whom the export declaration is to be made, the document so confirmed.

4. The Director-General of Customs who received the export declaration as prescribed in the preceding paragraph shall, when the goods as prescribed in the said paragraph were exported, state to that effect on the document confirmed under the said paragraph and shall return it to the person who made the said declaration.

5. Any person, to whom a document as prescribed in paragraph 2 or the preceding paragraph was returned under the provisions of any of these paragraphs, shall submit the document to the Director-General of Customs, to whom an import declaration is to be made, at a time of import declaration, if any exported goods as prescribed in any of the said paragraphs are to be imported, in whole or in part, due to a cancellation of the contract concerned, etc., before the whole amount of customs duty which may be exempted under paragraph 1 of Article 19-2 of the Law is actually exempted on the basis of the said document. In this case, the Director-General of Customs shall, if the said goods are found to be imported in part, make a necessary amendment to any matters so confirmed which are stated on the said document and return it to the person who made the import declaration.

(Formalities for Duty Exemption upon Exportation of Products Manufactured from Domestic Raw Materials)

Article 54-3. Any person who is to enjoy the benefit of duty exemption under paragraph 1 of Article 19-2 (Duty exemption when products manufactured from domestic raw materials are exported) of the Law shall, at a time of import declaration of foreign goods the customs duty on which is sought to be so exempted, submit to the Director-General of Customs having jurisdiction over a place of their importation a document stating the descriptions and quantity of the foreign goods, amount of customs duty to be exempted and any other matters for reference, accompanied by the document returned by the Director-General of Customs under paragraph 2 or 4 of the preceding Article.

2. An import declaration of the foreign goods referred to in the preceding paragraph shall be made in the name of the manufacturer who received the confirmation as prescribed in paragraph 1 or 3 of the preceding Article.

(Duty Exemption on the basis of Products Manufactured at Other Manufacturing Factory)

Article 54-4. The products as may be prescribed by a Cabinet Order under paragraph 1 of Article 19-2 (Duty exemption when products manufactured from domestic raw materials are exported) of the Law shall be petroleum spirits, kerosenes, gas oils and heavy fuel oils as enumerated in No. 27.10-1-(1) to (4) of the Annexed Tariff of the Law.

(Quantity of Raw Materials Corresponding to Products When Other Goods are Manufactured Simultaneously in Process of Manufacture of Products from Domestic Raw Materials)

Article 54-5. In the case where any other goods are simultaneously manufactured in the process of manufacture of any products from raw materials which are not foreign goods, as provided for in paragraph 1 of Article 19-2 (Duty exemption when products manufactured from domestic raw materials are exported) of the Law, a quantity of raw materials corresponding to the said products shall be the quantity calculated through multiplying the quantity of the raw materials used for manufacture of the said products and goods by a ratio, with respect to the exported products as prescribed in paragraph 1 of Article 19-2 of the Law, to be taken as a basis for a proportional calculation under which the quantity of raw materials corresponding to the said products or goods is calculated under the provisions of Article 48-2 (Duty assessment on raw materials) of the Cabinet Order for Enforcement of the Customs Law, which are applied on the assumption that the said products or goods would have been imported.

(Obligation to Keep Copy of Document Confirmed)

Article 54-6. Any person who received a confirmation under paragraph 1 or 3 of Article 54-2 shall keep a copy of document so confirmed for two years from a date of such confirmation.

(Amount of Duty Refund for Duty-Paid Raw Materials which were Entered into Bonded Manufacturing Warehouse with Approval)

Article 54-7. An amount of customs duty which is to be refunded under paragraph 2 of Article 19-2 (Duty refund when goods manufactured from duty-paid raw materials are exported) of the Law shall be the amount of customs duty paid on imported goods (Hereinafter referred to as "duty-paid raw materials") which were entered into a bonded manufacturing warehouse with an approval as prescribed in the said paragraph and were used as raw materials for manufacture of export goods (or, in case where the goods manufactured from the duty-paid raw materials are not exported in part, the amount of customs duty corresponding to the raw materials found to be embodied in the goods exported.)

(Formalities for Approval, etc. for Entering Duty-Paid Raw Materials into Bonded Manufacturing Warehouse for Duty Refund)

Article 54-8. Any person who is to see the provisions of paragraph 2 of Article 19-2 (Duty refund when goods manufactured from duty-paid raw materials are exported) of the Law applied shall, when the said duty-paid raw materials are entered into a bonded manufacturing warehouse, submit in advance an application stating the following matters to the Director-General of Customs, who gave a permission of the bonded manufacturing warehouse, for his approval.

- (1) Descriptions and quantity of duty-paid raw materials to be entered into a bonded manufacturing warehouse.
- (2) When there are any goods which are to be used for work at a bonded manufacturing warehouse with duty-paid raw materials; descriptions and quantity of the said goods and whether they are domestic or foreign goods.
- (3) Description of export goods and other products, manufactured from duty-paid raw materials.
- (4) Name of customhouse which issued an import permit of duty-paid raw materials and date of this import permit.
- (5) Name and location of the bonded manufacturing warehouse.
- (6) Reason why duty-paid raw materials are used for manufacture of export goods.

2. When a manufacture of export goods from duty-paid raw materials approved under the preceding paragraph is completed, a report on manufacture stating the following matters shall be submitted to the Director-General of Customs as provided for in the said paragraph, for his confirmation.

- (1) Descriptions, quantities and values of export goods and other products, manufactured from duty-paid raw materials.
- (2) Descriptions and quantity of duty-paid raw materials the customs duty on which is sought to be refunded.
- (3) Name of customhouse which issued an import permit of duty-paid raw materials and date of the import permit.
- (4) Date when duty-paid raw materials were entered into the bonded manufacturing warehouse.

(5) Scheduled date and place of exportation of the export goods as provided for in sub-paragraphs (1).

3. When the Director-General of Customs made a confirmation as provided for in the preceding paragraph, he shall state to that effect on a report on manufacture so confirmed and return it.

(Formalities for Duty Refund for Duty-Paid Raw Materials which were Entered into Bonded Manufacturing Warehouse with Approval)

Article 54-9. Any person who is to receive a duty refund under paragraph 2 of Article 19-2 (Duty refund when goods manufactured from duty-paid raw materials are exported) of the Law shall, at a time of export declaration of export goods the customs duty on which is sought to be refunded, submit to the Director-General of the customhouse, at which the export declaration was made, an application stating the descriptions and quantity of duty-paid raw materials the customs duty on which is sought to be refunded and the name and location of a bonded manufacturing warehouse where the export goods were manufactured, accompanied by the import permit of the duty-paid raw materials or a customs certificate in lieu thereof and a report on manufacture which was returned under paragraph 3 of the preceding Article, and shall receive, at a time of examination as provided for in Article 67 (Export or import permit) of the Customs Law of the said export goods, an examination which is required to determine an amount of refund under Article 54-7.

(Application Mutatis Mutandis of the Provisions Relating to the Goods Entered into Bonded Manufacturing Warehouse)

Article 54-10. The provisions of paragraph 1 of Article 46 (Report upon commencement of work in bond) and Article 50 (Obligation of book-keeping) of the Cabinet Order for Enforcement of the Customs Law shall apply mutatis mutandis to the goods entered into a bonded manufacturing warehouse with an approval as provided for in paragraph 2 of Article 19-2 (Duty refund when goods manufactured from duty-paid raw materials are exported) of the Law. In this case, the term "foreign goods" in paragraph 1 of Article 46 and paragraph 1 of Article 50 of the said Cabinet Order shall read "goods entered into a bonded manufacturing warehouse with an approval as provided for in paragraph 2 of Article 19-2 of the Law".

2-A-3 Temporary Tariff Measures Law

(Reduction or Exemption from Customs Duty on Raw Materials for Manufacture)

Article 7-4. Customs duty on raw materials for manufacture as enumerated in any of the following sub-paragraphs shall, as may be prescribed by a Cabinet Order, be reduced or exempted, if they are imported on or before March 31, 1981 and if a manufacture as enumerated in any of the sub-paragraphs concerned is completed at a manufacturing factory approved by the Director-General of Customs within a period of not longer than one year after the date of their import permit, as may be designated by the Director-General of Customs.

- (1) Starches as enumerated in No. 11.08 of the Annexed Tariff of the Customs Tariff Law, which are to be used for manufacture of starch sugar or for manufacture of dextrine, dextrine glues, soluble or roasted starches or starch glues.
 - (2) Sugar as enumerated in No. 17.01-2-(1)-B of the Annexed Tariff of the Customs Tariff Law, which are to be used for manufacture of Blastticidin S for agricultural chemicals, itaconic acid, polyoxyalkylene sucrose, or sucrose fatty acid ester among organic surface-active agents or washing preparations with surface-active agents of fatty acid.
 - (3) Molasses as enumerated in No. 17.03-2-(1)-B or -(2)-B of the Annexed Tariff of the Customs Tariff Law (including hi-test molasses among "other" as enumerated in No. 17.02-8-(2)-B of the said Tariff), which are to be used for manufacture of alcohol.
 - (4) Potassium nitrate as enumerated in No. 28.39-1 of the Annexed Tariff of the Customs Tariff Law, which is to be used for manufacture of compound fertilizer.
2. The provisions of paragraphs 3 to 5 and 8 of Article 13 (Formalities, etc. for duty reduction or exemption on raw materials for manufacture) of the Customs Tariff Law shall apply mutatis mutandis to the case where customs duty is reduced or exempted under the preceding paragraph.
3. In the case falling under any of the following sub-paragraphs, the customs duty reduced or exempted under paragraph 1 with respect to a quantity of raw materials for manufacture, as enumerated in any of the sub-paragraph concerned, shall forthwith be collected from any person found to fall under any of the sub-paragraphs concerned. In this case, the provisions of the proviso to paragraph 3 of Article 7 shall apply mutatis mutandis.
- (1) Where the manufacture as provided for in paragraph 1 is not completed within a period as specified in the said paragraph (excluding the case where customs duty is collected under Article 10, but including the case where no report is made under paragraph 5 of Article 13 of the Customs Tariff Law which is applied mutatis mutandis in the preceding paragraph): Raw materials for manufacture with respect to which the said manufacture is not completed or no report is made.
 - (2) Where the manufacture as provided for in paragraph 1 is carried out at any place other than the manufacturing factory approved by the Director-General of Customs under the said paragraph or where such manufacture is carried out in contravention of paragraph 4 of Article 13 of the Customs Tariff Law which is applied mutatis mutandis in the preceding paragraph: Raw materials for manufacture, offered for such manufacture.

3. EXPORT ACTIVITY OF EXPORTERS

According to the statistics of the Industrial Information Department of the then Secretariat of Industry in October 1985, 966 exporters had exported manufactured goods including processed agricultural and livestock products more than US\$ 100 thousand in one of two years 1983 and 1984 and their total exports in 1984 accounted for 87% of the total manufactured exports, though the percentage seems to us a bit smaller (Table V-3-1).

And it is estimated that there are about 900 exporters who had exported less than US\$ 100 thousand a year. The breakdown by product group was not available in the statistics.

According to a survey of a private publisher 5 major product groups have occupied 86 to 88% of manufactured exports excluding processed agricultural and livestock products during the period from 1981 to 1985, based on the statistics of the Direccion Nacional de Investigacion Sectoriales of the Secretariat of Industry. They are petroleum derivatives, metals, chemicals and petrochemicals, electric machinery and apparatus and transport machinery. And 50 largest exporters accounted for 77.3% of the total manufactured exports in 1985, and 40 of them are the exporters of 5 major product groups.

The exporters interviewed are recommended by the Exporters' Association on the basis of our priority centered on resource-processing industries. Distribution of 17 exporters interviewed by product and category are 7 processed agricultural and livestock products, 3 trading companies, 1 cooperative, 3 machinery, 2 woollen products and 1 pharmaceuticals and laboratory equipment. Most of them belong to more than medium scale industry and are most active in each sector, and the last company is included in the 50 largest.

3-1 Trading Companies

The Export Promotion Law provided an export promotion system for the establishment of international trading companies and to promote the expansion of manufactured exports. We are told that 4 or 5 companies have participated in this program. There are 5 large international trading companies of foreign origin dealing in grain exports and 2 other domestic traders engaged in wool exports but they are not interested in the program. The international trading companies interviewed are exporters of capital goods and turn-key plants mainly to Latin American countries taking advantage of official trade credit lines and bilateral trade agreements. In real sense, they are not what we call the international trading companies and they are rather the consulting engineering companies or specialized exporters of capital goods. They should expand lines of business including imports and domestic trade to cover the business risks involved in the single line of business and in the onesided business of exports only. Bulky export trade of iron and steel, petroleum derivatives, ethylene which are directly handled by manufacturers may be included in their lines of business as well as imports which may meet the essential needs of the country. In doing this, the financial capacity of the international trading companies must

Table V-3-1 Manufactured Exports

(US\$ 1,000, %)

Province	Establish- ment ¹⁾	1984	1985 ²⁾	Change (1985/84)	Share (1984)
Total	966	3,762,630	4,481,325	19.1	100.0
Capital Federal	124	152,788	211,427	38.4	4.1
Buenos Aires	443	2,024,448	2,358,742	16.5	53.8
Catamarca	2	*	*	*	*
Cordoba	65	308,244	414,252	34.4	8.2
Corrientes	8	7,809	54,174	693.7	0.2
Chaco	14	46,420	49,776	7.2	1.2
Chubut	10	73,445	108,533	47.8	2.0
Entre Rios	16	51,948	69,282	33.4	1.4
Formosa	1	*	*	*	*
Jujuy	11	65,247	46,819	-28.2	1.7
La Pampa	3	3,274	3,912	19.5	0.1
La Rioja	2	*	*	*	*
Mendoza	57	42,724	42,228	-1.2	1.1
Misiones	33	91,956	84,978	-7.6	2.4
Neuquen	3	6,639	8,030	21.0	0.2
Rio Negro	15	27,472	36,882	34.3	0.7
Salta	9	27,126	21,752	-19.8	0.7
San Juan	12	6,448	7,003	8.6	0.2
San Luis	3	888	1,532	72.5	0.0
Santa Cruz	2	*	*	*	*
Santa Fe	93	706,391	860,253	21.8	18.8
Santiago del Estero	1	*	*	*	*
Tucuman	37	103,606	85,838	-17.2	2.8
Tierra del Fuego	2	*	*	*	*

Source: Direccion General de Informacion Industrial

Notes : 1) Establishments which export annually more than US\$ 1,000,000.

2) Projections.

be reinforced by providing long term finance without mortgage. Further description will be made in the following section.

3-2 Cooperative Exporters

The promotion of cooperative exporters is the unique program introduced by the Export Promotion Law which has not been seen in the Japanese experience. In Japan many manufacturers' cooperatives have been established by different industrial sectors with similar purposes to undertake common activities in the purchase of raw materials, production, sales, sales promotion, overseas advertisement, etc. to minimize the cost of individual manufacturers, however, they did not undertake direct export business. It is told that there are about ten participating cooperatives or consociums handling such as food products, fruits, leather goods, shoes, furniture, fishes, chemicals, hand tools, building materials, textiles, fur products and hotel construction business, of which three groups covering leather goods, food products and fruits are most active. There are various fiscal and financial incentives to promote their activities, including the financial aid to the establishment of overseas warehouse. The cooperative exporter of leather goods we interviewed is the only organization established the overseas warehouse however the financial aid was not provided because of the delay in putting the system into practice.

In the case of the cooperative of leather goods manufacturers, they are not a group of manufacturers of same products but of different products and they may produce a variety of leather products to be stored and displayed in the warehouse established in New York but they may not have enough capacity to meet the orders of large quantity which are used to be placed by the US importers, a common production facility could be established to increase production capacity and productivity.

There was only one case of the overseas warehouse established in Rotterdam by a local government to support the exporters who had been supplying their products continuously to the European markets so that they may assure the constant and quick delivery of their products to their customers.

3-3 Production System

Most manufacturers-exporters have improved the production facilities recently or have been gradually introducing advanced technology in their production system. Some manufacturers equipped with old machinery have investment programs in the near future to improve their productivity, they are the manufacturers of leather, leather products, machine tools, sweaters and cheese.

The quality control system is employed by most manufacturers. However only few manufacturers installed testing equipment of international standard among those we made factory visits. International standards are employed and IRAM standards are not used in their exports. They send samples or specifications of products for approval of importers and start production after orders except for the

cases of milk products and vegetable oil manufacturers. Only few of them have training programs for laborers while others do on-the-job training. There are few manufacturers having separate production lines for exports. The export/production ratio of most manufacturers interviewed is higher than 10% and that of some products like leather and die casting exceeds 60%. There are much rooms for them to improve the production system and facilities, however most of them are pending investment programs because of the lack of confidence of future economy, lack of confidence of future economy incentives, high interest rates and appreciated foreign exchange rate.

3-4 Export Promotion Activities

Only two manufacturers among those interviewed (see p. V-80) have one overseas branch office each and the other two have one representative office. Others export to sale agents. Four of them participate in international trade fairs and six manufacturers make overseas business visits not so often. Nobody undertakes market research nor advertisement overseas. Only few make catalogues for commercial use in English. Market information is collected through the media of overseas Commercial Attaches, branch offices, representatives, agents and business trips abroad. However such information tends to be of business transactions, not of so-called market information. Some of them collect business magazines, technical data materials and design information by themselves. With regard to the information activities of Commercial Attaches, most exporters are not satisfied with the contents as well as the timing. The activity of market information collection must be intensified and sales promotion activities of exporters should be reinforced.

3-5 Factors Obstructing Exports

Our findings in the interview survey regarding factors affecting export performance of exporters are as follows. The factor affecting export quotation most is the existence of export duty system and on the other hand the factor affecting the smooth export performance most is the inefficiency of port facilities among others, besides other legal and administrative bottlenecks previously mentioned.

Other factors mentioned by them are the high ocean freight rate, high cost of domestic parts or raw materials, increased direct taxes, electricity rate, high price and inferior quality of packaging materials, labor strikes, low productivity of production facilities, low international prices, foreign subsidized exports, over-valued foreign exchange rate, high import duties on imported machinery, inconvenient international communication services, infrequent international shipping services, high port charges, lack of overseas demand, etc. As such, there are many deterring factors to be removed by the efforts of both public and private sectors.

4. ROLE OF INTERNATIONAL TRADING COMPANIES

There may be various ways of marketing products into foreign markets. Most manufacturers in Argentina do direct export marketing by themselves, and some others form sales organizations jointly with groups of manufacturers in order to pursue their mutual interests and to save the costs as well. There could be some cases of those companies which are of medium or small size utilizing services of other exporters on account of their inability to devote themselves to direct exports.

Most of trading companies in Argentina have been engaged in marketing primary products such as grain, wool, beef, cow hide and oil etc., and a few of them are exporting industrial products mainly of capital goods.

4-1 Expansion of Manufactured Exports and International Trading Companies

It has been necessary for Japan to procure basic primary materials in most favourable conditions from foreign countries. It has been also necessary for Japan to create export channels of her products. Under these conditions Japanese trading companies have expanded their activities and established international information networks through which they know how to utilize the channels of commerce for the sales promotion of Japanese industrial products.

4-1-1 Recent Export Performance

According to the statistics of INDEC, in 1985 the total export amounts was US\$ 8,396 million against the total import amounts US\$ 3,815 million, making a favourable trade balance of US\$ 4,581 million (Table V-4-1). While in 1986 the trade balance covering 5 months from January to May is still favourable in the accumulated amount of US\$ 779 million, despite the fact that import amounts in the first five months in 1986 remain almost same as those in 1985. However the trade balance of US\$ 1,786 million in the first months in 1985 is a remarkable contrast against US\$ 779 million as above in 1986. Also the export amount of US\$ 3,438 million during the period of January to May in 1985 should be compared with that of US\$ 2,404 million during the same period in 1986.

Under these circumstances the increase of exports should be encouraged once and again, especially in view of the fact that the country owes an external debt in huge amount, presumably in US\$ 50,000 million in 1984 and US\$ 52,000 million in 1985. The importance of exports both in the fields of conventional agricultural and industrial products should be emphasized.

The improvement of external payments position through the high trade surplus is instrumental in the economic growth of the nation.

Table V-4-1 Argentine Foreign Trade

(US\$ million)

Month	1985			1986		
	Export	Import	Balance	Export	Import	Balance
January	625	374	+251	503	330	+173
February	531	265	+266	470	276	+194
March	647	338	+309	518	307	+211
April	829	342	+487	543	381	+162
May	806	333	+473	370	331	+39
Subtotal (Jan. - May)	3,438	1,652	+1,786	2,404	1,625	+779
June	934	253	+681			
July	900	354	+546			
August	716	331	+385			
Sept- ember	695	295	+400			
October	565	325	+240			
November	571	320	+251			
December	577	285	+292			
Total	8,396	3,815	+4,581			

Source: INDEC

According to the table, Argentine trade ran a surplus of some US\$ 4,581 million in 1985, and exports in 1985 resulted in a slight improvement in foreign exchange values as compared with the preceding year. It is desired that such a tendency be maintained as far as possible.

In the meantime it is true that among the developing countries there exists from time to time an extreme argument not to accept the terms and conditions (conditionality) which may be imposed upon by the international monetary organizations such as IMF or the World Bank, nor to carry out the conditionality that had already been agreed for execution, on the grounds that those are too disgraceful and being carried out at the sacrifice of the national standard of living of the

nation. This kind of argument is too much patriotic but easily induce the interests of general public to support it. However, in reality it is harmful for the country and people in the long run.

TV programs of panel discussions concerning the promotion of export were broadcasting every Saturday. Public relations through the massmedia including radio, TV, press and film will produce the national consensus for the promotion of exports and "export mind".

4-1-2 Export and Trading Companies

Around 1,000 exporters are said to exist in Argentina but most of them are manufacturers who do direct export of their own products such as machinery, steel, petrochemical products, etc. by themselves. The 80% out of the total exports of Argentine manufactured goods is said to have been performed by 50 largest manufacturers-exporters. A few companies have their own representatives or agents abroad but their numbers are too small to cover the wide area. These exporters handle mainly their own products, therefore, they are not of those which are called "international trading companies" engaging in various services of foreign trade covering wide area of business and products.

It takes time to have a number of "general trading companies" with the thorough international business and information networks together with the full capacities for internationally competitive business activities, and to complete the training for the sufficient numbers of qualified persons to work for the "general trading companies". Accordingly it would be a wise strategy for Argentine manufacturers-exporters to rely on the foreign general trading companies in Argentina, for the time being until when Argentine international trading companies become fully independent.

Prior to our discussion concerning the functions and merits of general trading companies in Japan, other example of trading companies in Brazil will be mentioned. The considerable success in promoting Brazilian exports in recent years is said to be attributable to trading companies who export industrial products. The experience of Brazil is much important and there is a group of about fifty trading companies, out of which some are of state and others are those with participation of official capital and also with wholly private capital. They have been formed under the protection of a legislation, which provides them with fiscal and financial incentives including exemption and deduction of taxes, provision of financial credits at favorable interest rates, etc. similar to the benefits offered by the Export Promotion Law established recently in Argentina.

Las Empresas Comerciales Exportadoras (the Commercial Exporters Companies) was established to promote industrial exports based on a proposal of the Brazilian government. Most Brazilian trading companies are not of large size grown from coffee companies. However, they have succeeded in expanding the lines of business and the volume of exports. The success may be achieved by various factors. The existence of spirits of enterprise on the part of the management, production facilities with scale economy, positive promotional measures of the government will be the major factors to be pointed out among others.

On the other hand in Argentina there are some trading companies that handle machinery, industrial products, capital goods or turnkey plants mainly in the Latin American market such as construction of hotel or hospital, food processing plants, etc. Their historical background is still as short as 5 to 10 years with a few exceptions and owing to insufficient staff members to expend their commercial activities, their dealings are limited mostly to Latin American countries where from time to time the Argentine government authorities grant credit lines so that they are easily able to utilize. Although very recently they commenced the roles of introducing some kind of Argentine industrial products into USA or Canadian markets, it is not so easy.

As already described most of big Argentine manufacturing companies have intended to do direct exports and they have been so far successful within a market of Latin America. Considering the numbers of manpowers qualified for international trade, it may be difficult to develop the markets outside Latin American territories. But it should be taken into consideration that too much reliance upon the Latin American markets is rather undesirable in view of their purchasing power and their solvency. In this sense the diversification of overseas markets and training of qualified persons for export marketing should not be neglected.

Meanwhile some medium and small sized manufacturers in Argentina formed jointly a group to create an export organization with an intention to pursue their mutual interest and at the same time for the sake of cost saving. This tendency has been remarkably recognized among those who have devoted themselves to handcraft fabrication works. This is a clever way for those who are inexperienced in international trade to start export business. It should be admitted that the promotion of exports could not be easily attained without constant endeavours by well qualified persons.

In connection with the promotion of Argentine exports, one thing has to be mentioned, although it may deviate a little from the subjects of the functions, business channels or information services of the trading companies.

All the persons we interviewed, more or less involved in exports, have complaints about the imposition of export duties, which are applied to many manufactured goods of both agricultural and industrial origin.

Whenever the opportunities are available, our views on the fundamental factors for the export promotion on the part of the exporting private sector are expressed as follows:

- 1) Competitiveness
- 2) Quality control & cost management
- 3) Stable supply
- 4) Market research
- 5) Freight as factor of buyer's purchase price
- 6) Sales promotion

A majority of exporters pointed out that the present export duty system would deteriorate the almost all above items, placing them in a very difficult position for export promotion, unless the present situations are improved.

All of them clearly understand that the system of reimbursement and tax refund legally exists and is in force. However, they complain that nobody knows as to when such reimbursement and refund could be materialized. Anyhow it may be a burden for those exporters who had already paid taxes to wait for the refund without any notification for an indefinite period.

Some persons criticized that it is a problem based on the balance of powers between the Secretariat of Foreign Trade and Industry and the Secretariat of Finance or the National Tax Collection Agency. According to him as far as the latter insists on the priority of the procurement of national revenues, the former will be hardly possible to put in force the reimbursement and tax refund system, no matter how the former may try to convince the exporters of the execution. All of them stressed that the national market has no difficulty in selling their products at a profit and that few will export their products willingly to foreign countries despite meager profit, risks and troublesome procedures.

It was learned that the decree 173/85 established an allowance of 10% of the FOB value of exports to be deducted from taxable income. Also decree 174/85 came out with regulations concerning export consortiums and cooperatives. Decree 175/85 set up a system to rule trading companies, while Decree 176/85 authorized programs of compensatory counter trade. Decree 178/85 is to exempt from the stamp duties on the export contracts. Decree 179/85 raised a 0.5% charge on imports for the building up of the Export Promotion Fund, and decree 525/85 is to modify the export regime of turn-key projects etc. At the same time the Central Bank issued a circular letter (OPRAC-1-49) modifying the regime of pre-finance, financing and post-financing for exports.

It can be said that nobody is in a position to clarify whether the above decrees in force are exactly carried out. And it is hoped that the above said claims were caused by unintentional misunderstanding or misinterpretation of the decrees.

4-1-3 Information Network of Trading Companies

General market information for daily transactions is gathered through the media of 1) Overseas commercial attaches in 63 major cities in the world, 2) Overseas branch offices, 3) Overseas representatives, agents, customers, and 4) Overseas business trips, as mentioned in section 2-3-1 of this chapter V.

Among the above media the governmental circles are proud of the well arranged tie-up of information activities between the overseas commercial attaches and Direccion Nacional de Promocion Comercial which daily distributes the trade news and telex messages from the commercial attaches to the parties concerned. According to the authorities these telexes are automatically relayed at the telex center to the associations, enterprises, local governmental offices and banks for further distribution to their subordinate members. It has been proved later by one of the enterprises that this direct telex information has been received and highly appreciated especially in the case of international tenders for capital goods or full turn-key business.

This enterprise is an international joint venture and semi-state owned company. Therefore they are favoured with more or less supports from the government agencies.

Other private companies are rather unsatisfied with the information of the commercial attaches due to 1) indirect communication through associations or other organizations 2) delayed or out-of-date information and sometimes it does not deserve 3) frequent discontinuity, etc.

Though the capacities of overseas commercial attaches in service will be strengthened in line with the export promotion policy of the government, it will not be easy to meet the requirements of all the private companies that have been eager to collect information as much as possible.

As very few companies have overseas branch offices, most of them mainly rely on information either from their agents and customers sources abroad or their own business trip. However such kind of information tends to be of nature related to daily deals on case by case basis and not of so-called market information or market research. Therefore as long as the majority of their information sources are limited as mentioned above, a long range marketing plan based on market researches will not be established even if a certain information for a short period may be obtainable. Constant and persistent efforts for conducting overseas market researches are the keys for the promotion of foreign trade.

An Argentine winery adapted its wines to the tastes of the US public, labelled another name for its export brand and won a market where several other Argentine vineyards have tried without success to penetrate.

The point is that what the above winery has done to enter the highly demanding and competitive US market is not the method effective only to the US market. Anyone seeking a new market must know the tastes of the target market and adapt their products to them if the market has good potential for their products judging from the results of the market research.

Argentine exporters should also know that most Asian exporters have made studies on the tastes of the US public and have transformed their products, to a great extent, to fit them and moreover they need to know what their competitors have such as greater tax incentives, easier credit terms and ever-increasing government support for the export promotion.

4-1-4 Qualified Persons of Trading Companies

With the exceptions of those who work for international grain dealers, multinational enterprises and general trading companies, whose numbers are very limited, information and knowledge necessary for execution of international trade are still insufficient. In view of the fact that the international business calls for profound experience and

wide knowledge of overseas business customs and sometimes of a certain kind of culture to settle the disparity existing between the two countries involved, the establishment of an organization or institution specializing in the education of persons to be engaged in international trade will be desirable.

In order to justify such desire, an example will be cited as follows. In case of the owner of a certain national machinery parts manufacturer interviewed, his products are constantly supplied to multinational enterprises in Buenos Aires, as components of the final export products to various countries. He has been eager to do international export business direct and has frequently participated in the export promotion seminars sponsored by the central or provincial government. However, as far as the business practices are concerned such as arrangements for overseas freight services, marine insurance, international finance, customs clearance procedures, etc. which are indispensable routines for the performance of international trade, the above-mentioned multinational enterprises are taking care of everything. Under these circumstances nobody of such manufacturer, even if the owner may be zealous to perform export business by himself, will have an opportunity to acquire necessary knowledge about exports.

At the same time this owner had an intention to conclude a technical assistance agreement with a Japanese machine tool manufacturer but we were told that he had neither knowledge nor information as to where he should go and with whom should contact. Therefore he was advised to contact JETRO office in Buenos Aires. Further our advice was made by informing that Japanese general trading companies would willingly act as an intermediary of the technical assistance agreement between his company and Japanese machine tool manufacturer. For his further information we explained that the functions of Japanese general trading companies in Buenos Aires are not limited to the trade between Argentina and Japan but to cover wide areas such as offshore business. At last the owner understood that an export business from Argentina to Latin American countries or even to European countries is possible by utilizing the channels of international trading companies.

4-2 Japanese Trading Companies and the Relevance for Argentina

The daily commercial activities of the international trading companies are based on the market mechanism and they are quite free in participating in any kind of domestic or international business transactions. Only those who offer the best terms and conditions can be successful in the business. Sometimes their competitions are so keen that they may be blamed because of excessive competition.

The most important assets of the international traders is the brains of their employees who have been well trained to be strong enough for any competition. In these circumstances there is no reason to avoid competition in the world of trading companies that are always expected to play a role in devoting themselves to the principle of the market mechanism.

In order to face keen competition of others and to perform most economical business activities Japanese international trading companies have established their own worldwide information networks. They have developed various functions based on the positive worldwide marketing strategy.

An economist expressed his views on the future of trading companies under the heading "The setting sun, general trading companies" which attracted the attention of the parties concerned in the early 1960s in Japan, when she was making her way with the rapid growth.

The contents of the article were noteworthy to many economists and massmedia, and some people became pessimistic over the future of the general trading companies in agreeing with his critical logic as follows:

- 1) The sales amounts, profit ratio of the general trading firms have been in downward tendency year by year.
- 2) As the industrial capital grows to become gigantic in line with the rapid growth of Japanese economy, the industrial capital have started to integrate their own sales networks including those in foreign countries. As a consequence the elimination of intermediary wholesale dealers will be accelerated.
- 3) Being commission merchants, general trading companies are of declining enterprises like the "setting sun".

This logic seemed to be right in view of the fact that very active worldwide Japanese export industries such as Sony, Matsushita Electric Industry, Toyota Motor and Nissan Motors started to export their products such as household electric appliances and automobiles, and further imported raw materials and machinery necessary for their production either directly. Moreover such tendency seemed to be expanding among other manufacturers.

Therefore the above mentioned points of the economist seemed to be logical but the reality proved itself later that the argument was untrue as the further development of the business functions of Japanese trading companies had been reviewed.

The reality progressed contrary to the anticipation of the economist as follows:

- 1) General trading companies have continued to be very active to procure raw materials for the heavy and chemical industries that have made enormous amount of domestic investment for the modernization of their plants and enlargement of their production facilities.
- 2) In order to meet the requirements of the expanding heavy and chemical industries for stable supply of raw materials at lower prices for a long term, they have actively participated in the overseas investment for such resources development.

- 3) The staff members of the general trading companies have been increased all over the world with an aim to expand their marketing networks in conformity with the expansion of production capacities of the heavy and chemical industries in Japan.
- 4) General trading companies have been successful in cultivating the export routes for electrical machinery and motor vehicles as well.
- 5) They have also participated in the overseas investment as organizers in the field of such light manufacturing industry as textile, sundry goods which were losing their international competitiveness mainly due to the increase of wages in Japan.
- 6) In addition to the above international activities their domestic activities have attracted the attention when they commenced to take up the projects of urban renewal development of town's business area.

Quite recently leading Japanese trading companies tied up with the local electric power generation companies and have started to undertake joint ventures for the establishment of domestic telephone system by means of optical fiber cables utilizing the transmission and distribution lines owned by the latter.

These various new projects undertaken by the international trading companies are entirely different from the functions of mere wholesalers.

In view of the above facts an argument of the economist "The setting sun, general trading companies" turned out to be erroneous in the end.

The above is a brief and recent historical review of the recent activities of general trading companies in postwar period.

In connection with their marketing networks, Table V-4-2 shows the numbers and distribution of their branch offices.

4-2-1 Information Network of Japanese Trading Companies

One of the basic functions of the general trading companies is "information". Speedy, timely and highly reliable information is not only dispensable for developing new business opportunities, but also important for building up good relationships with their domestic and foreign customers as well.

Therefore, general trading companies have made efforts to gather first-hand and high-quality information by, establishing the "worldwide information network", setting up the intra-company system to evaluate, analyze information collected from overseas and domestic sources.

An example of worldwide information network established by one of the 9 general trading companies is cited as follows: They designed their own exclusive "Global Telecommunications Network" which covers almost all of their 150 offices abroad by installing computer

Table V-4-2 Overseas branches of Japanese General Trading Companies, 1961 and 1970

		Asia	North America	Latin America	Europe	Middle East	Africa	Oceania	Total
Mitsui	1961	23 ³⁾	14	13 ³⁾	6 ⁴⁾	3 ³⁾	5 ³⁾	3 ⁴⁾	67 ³⁾
	1970	39	18	26	25	8	14	10	140
Mitsubishi	1961	18	10 ³⁾	10	5	5	4 ³⁾	3 ³⁾	55
	1970	23	17	11	6	7	11	7	82
Marubeni	1961	21	8 ³⁾	9	5 ³⁾	4	5 ³⁾	4	56 ³⁾
	1970	27	15	10	14	6	9	6	87
C. Itoh	1961	15	9	12	5 ³⁾	4	5 ³⁾	3 ³⁾	53
	1970	17	13	12	14	6	8	8	78
Sunimoto	1961	16	7	4 ³⁾	4 ³⁾	1 ⁴⁾	1 ⁴⁾	1 ⁴⁾	34 ³⁾
	1970	20	10	11	11	6	6	6	70
Nissho-Iwai	1961 ¹⁾	25	9	9	10	4	5 ³⁾	6	68
	1970	21	12	5	14	6	9	8	75
Toyo Menka	1961	12	7	8	2 ⁴⁾	3	1 ⁴⁾	3	36 ³⁾
	1970	17	10	9	8	3	4	4	55
Nichimen	1961	23	12	6	4 ³⁾	3 ³⁾	6	2	56
	1970	20	10	8	9	5	7	3	62
Kanematsu-Gosho	1961 ²⁾	20	9	3	4 ³⁾	3	2	2 ⁴⁾	43
	1970	15	11	4	7	1	3	6	47
Ataka	1961	12	5 ³⁾	2 ³⁾	4	1 ³⁾	0	3 ³⁾	27 ³⁾
(absorbed by C. Itoh in 1977)	1970	14	10	5	6	2	2	7	46
Total	1961	185	90	76	49 ³⁾	31 ³⁾	34 ³⁾	30 ³⁾	495
	1970	213	126	101	114	50	73	65	742

Source: I. Yamazawa and H. Kohama, "Trading Companies and the Expansion of Foreign Trade: Japan, Korea, and Thailand", in K. Ohkawa and G. Ranis eds., Japan and the Developing Countries, Oxford: Basil Blackwell, 1985, p. 434.

- Notes :
- 1) The total of Nissho and Iwai, which were separate companies in 1961.
 - 2) The total of Kanematsu and Gosho, which were separate companies in 1961.
 - 3) The ratio of the number of overseas branches in 1970 to the number in 1961 is greater than 1.5, which is the ratio of total (General Trading Company) branches in 1970 to the total in 1961.
 - 4) The ratio of 1970 branches to 1961 branches is over 3.

transmitter systems in 5 major branch offices. The distance covered by this network is said to exceed 600,000 km.

By this automatic computer transmitting systems installed in the 5 transmittal stations in branch offices, Tokyo, New York, London, Sydney and Bahrain, the telex messages from other branch offices can be received at one of the transmittal stations within several minutes unless the lines are occupied. For example if their Nairobi representative in Africa intends to send a telex to Sao Paulo in Brazil the former will dispatch it to London first, where the automatic separator transmits it to Tokyo then to New York and finally to the destination in San Paulo. The time spent for the reception of message in this way at a destination anywhere in the world is merely 5 minutes.

It is an example of a trading company, but other leading general trading companies have more or less similar systems. And the numbers of messages they handle in a day in one company are said to exceed some 50,000. If the worldwide telex system stops, all the business activities of the general trading companies will be paralyzed.

Through these telecommunication networks various kinds of information in enormous quantities are daily received by the divisions of business, finance, administration, etc. of general trading companies. On the basis of the above information received, orders for sales and purchases will be placed, and also in preparation for the fluctuations of foreign exchange, forward contract bookings will be made accordingly. Incoming information should not be considered as limited only to that necessary for daily and routine business dealings. It also covers other fields outside their direct commercial activities. In other words general trading firms gather two types of information through their information networks of domestic and overseas trade offices. The first is information related to trade and commercial activities and the second is information on the general economic, political, social and even cultural matters. The first type is of course the major information of general trading firms when business and administrative divisions are in need of this kind of information. And the second type is collected and analyzed to support the decision making of the top management.

Every general trading company has an organization which may be called as "Information & Research Division" and it exclusively deals with such information and has their own library storing many kinds of data including books, magazines and newspapers for the reference of their employees.

While the "Information & Research Division" collects, and analyses the information related to business activities and corporate planning, the "Technical Division" collects information related to the latest industrial high technology, and provides it to manufacturing industries.

In addition, collection of information is performed also through the individual channels of employees working in offices both domestic and abroad. Daily close contacts are maintained with the governmental organizations, agencies, their clients and agents for this purpose. Through this kind of person to person contacts, fragmentary pieces of information, which may be indispensable for the judgement of the situations, could be obtained. It entirely depends upon the individual sense to evaluate whether each of fragmentary pieces of information is useful or not for the analysis of the situation in the next stage, therefore an employee of general trading companies is expected to gather and analyse the information even if this may be not the one directly connected with his own line of business. The managements of general trading firms educate their employees from the period of trainees so that they may be able to gather and analyse information and to grow as a qualified trading company staff.

General trading companies also play an important role in providing information on overseas markets to their clients. Sometimes their information as to the market situations or crops in Communist Countries, where this kind of information is almost unavailable or out of date even if available, is also very much appreciated.

In addition to their own hands, they pay a large amount of commission to local persons who are very influential in the political and economic societies, as their information coordinators, otherwise it is too hard to collect information in such places where exist some different traditional customs and historical background.

With regard to the installation of the worldwide telecommunication networks, the expenses covering whole hardwares will reach huge amount. One leading general trading company estimates the maintenance and operating cost of the telecommunication network in one year to be more than 10 billion yen (approximately US\$ 65 million at the exchange rate of US\$ 1 = ¥153). They also spend a considerable amount of money for entertainment expenses to keep smooth human relationship and to maintain the channels of information. In a wider sense these entertainment fees also can be included in information expenses.

4-2-2 Uniqueness of Japanese Trading Companies

There are certain unique enterprises in the world which have grown up in the historical background of a country. The "Merchant Banks" in England, or the "Conglomerates" in the USA are the example of such enterprises. The Japanese international general trading companies are also Japanese unique enterprises which have played an important role of promoting the development of Japanese industries and export.

Nowadays it is said that there are more than 10,000 trading firms in Japan. And only 9 companies out of them are called "general trading companies". Other trading companies are called "specialized trading houses".

When compared with the specialized trading houses, general trading companies have the following characteristics to be pointed out.

- 1) The first one is that the range of commodities they handle is so wide and rich in variety as shown in Table V-4-3.
- 2) The second is the function of combining many different functions to facilitate and even create the flow of trade between the suppliers and the users, and to support the development of industry concerned. Furthermore, general trading companies always try to develop new functions responding to the requirements of the world economy.

Specialized trading houses provide functions of "trading" and sometimes, "financing", "information", "resources development", etc. for the selected goods trade. But the scale of these functions is much smaller than those of general trading companies.

The above two characteristics, namely 1) diversification of handling commodities and 2) combination of various functions are the most important to distinguish between general trading firms and other specialized trading houses.

4-2-3 Activities of General Trading Companies

(1) Total transactions

Japanese general trading companies have been well known by the size of total transactions, and the yearly transaction amount of 9

Table V-4-3 Major Commodities handled by General Trading Firms

Operating Group	Major Commodities
Iron and Steel	Iron Ore and other Ferrous Metals, Pig Iron, Ferroalloys, Semifinished Steel, Steel Products, Coal
Nonferrous Metals	Aluminium, Copper, Lead, Zinc, Tin, Nickel, Uranium, Cobalt, Titanium, Silver, Other Nonferrous Metals and Finished Products
Machinery	Industrial Machinery, Transportation Machinery, Construction Machinery, Electronic Machinery, Other Machinery
Fuels	Crude Oil, Liquefied Petroleum Gas, Liquefied Natural Gas, Other Fuels
Chemicals	Chemicals, Pharmaceuticals, Plastics, Fertilizers
Foodstuffs	Agricultural Products, Marine Products, Processer Foods, Confectionary Products, Other Foodstuffs
Textiles	Textile Raw Materials, Fibers, Synthetic Fibers, Fabrics, Other Textile Products
Others	Development, Construction and Related Materials, Lumber, Forestry Products, Pulp and Paper, Rubber, General Merchandise

leading companies exceeded 84 trillion yen, approximately 357 billion dollars (US\$ 1 = ¥235) in fiscal 1983.

Their trading activities are classified into following 4 categories.

Category	Share in the total amounts
a. Domestic	40.3%
b. Export	20.0%
c. Import	23.6%
d. Offshore	16.1%

Among the above categories, the offshore trade involving the third party countries as a buyer and a seller and a general trading

company as an intermediary, has increased its importance recent years. Regardless of difficulties in making successful transactions, all the general trading companies have been encouraging to promote this kind of transactions.

And it is conspicuous in these years that their domestic trade is in downward trend due to the dullness in the domestic economy in Japan, and to the contrary the offshore trade is in upward trend. Table V-4-4 shows the amount of transactions made by 9 general trading companies and the shares by categories of trade.

The breakdown of the sales by type of commodity in 1983 fiscal year is shown in the Table V-4-5. Fuels and heavy industry products such as metals, machinery, and chemicals occupy a share of 75% of the total sales.

(2) Shares in foreign trade

The share of the 9 big trading companies in total Japanese exports is 47% and for imports is 65% in 1983 (See Tables V-4-6 and V-4-7).

The reason why their share in the total imports has been on an increasing trend and the share in the exports on a decreasing trend will be explained as follows:

- a) Following the oil shock, general trading companies started to import direct deal oil from Arabian countries.
- b) The movement towards direct exports of household electric appliances, automobiles, etc. by manufacturers.

(3) Overseas investment and loans

The total overseas investment and loan of 9 big general trading companies amounted to 1,290 billion yen at the end of March 1984.

(4) Network of offices

The 9 general trading companies have 1,081 overseas offices staffed with 6,340 Japanese and 16,687 local employees. The latter occupies as much as 23% of the total manpower of 72,000 people.

Table V-4-4 Nine Major General Trading Firms' Sales by
Type of Trade in Fiscal 1983

(Billion Yen)										
	MITSU- MITSUI	BISHI	C. ITOH	MARU- BENI	SUMI- TOMO	NISSHO IWAI	TOOHEN	KANE- MATSU	NICHI- MEN	TOTAL
Domestic	5,463 (39.1)	5,453 (36.3)	5,980 (46.1)	4,126 (34.9)	5,919 (50.9)	2,754 (35.4)	1,499 (37.0)	1,709 (49.0)	982 (29.8)	33,881 (40.3)
Exports	2,480 (17.8)	2,657 (17.7)	2,182 (16.8)	3,362 (28.4)	2,627 (22.7)	1,311 (16.8)	935 (23.0)	501 (14.4)	753 (22.8)	16,801 (20.0)
Imports	3,784 (27.1)	5,160 (34.3)	2,522 (19.4)	2,336 (19.8)	1,761 (15.1)	2,081 (26.7)	936 (23.1)	754 (21.6)	513 (15.6)	19,847 (23.6)
Off Shore	2,233 (16.0)	1,759 (11.7)	2,303 (17.7)	1,997 (16.9)	1,318 (11.3)	1,644 (21.1)	683 (16.9)	525 (15.0)	1,050 (31.8)	13,511 (16.1)
Total:	13,960 (100.0)	15,029 (100.0)	12,987 (100.0)	11,821 (100.0)	11,621 (100.0)	7,790 (100.0)	4,053 (100.0)	3,489 (100.0)	3,298 (100.0)	84,052 (100.0)

Sources: Company Financial Statements

Note : 1. In case of MITSUI, SUMITOMO, NISSHO IWAI, TOMEN,
construction is included in others, and in case of the
other companies it is included in machinery.
2. In case of MITSUBISHI, textiles are included in others.

Table V-4-5 Nine Major General Trading Firms' Sales by
Type of Commodity in Fiscal 1983

(Billion Yen)										
	MITSU- MITSUI	BISHI	C. ITOH	MARU- BENI	SUMI- TOMO	NISSHO IWAI	TOOHEN	KANE- MATSU	NICHI- MEN	TOTAL
Metals	3,626 (26.0)	3,342 (22.2)	1,882 (14.5)	2,333 (19.7)	3,183 (27.4)	2,364 (30.3)	700 (17.3)	464 (13.3)	1,084 (32.9)	18,922 (22.5)
Machinery	2,326 (16.7)	2,970 (19.8)	2,819 (21.7)	3,235 (27.4)	3,366 (28.9)	1,466 (18.8)	837 (20.6)	545 (15.6)	969 (29.4)	18,522 (22.1)
Fuels and Chemicals	4,424 (31.6)	5,703 (37.9)	4,277 (32.9)	3,091 (26.1)	2,953 (25.4)	2,320 (29.8)	1,085 (26.8)	1,239 (35.5)	290 (8.8)	25,322 (30.2)
Foodstuffs	2,077 (14.9)	1,881 (12.5)	1,775 (13.7)	1,332 (11.3)	789 (6.8)	603 (7.8)	612 (15.1)	388 (11.1)	459 (13.9)	9,922 (11.8)
Textiles	560 (4.0)	- (-)	1,632 (12.6)	1,083 (9.2)	299 (2.6)	435 (5.6)	642 (15.8)	639 (18.3)	344 (10.4)	5,634 (6.7)
Other	947 (6.8)	1,134 (7.6)	602 (4.6)	746 (6.3)	1,034 (8.9)	601 (7.7)	177 (4.4)	215 (6.2)	151 (4.6)	5,607 (6.7)
Total:	13,960 (100.0)	15,022 (100.0)	12,987 (100.0)	11,822 (100.0)	11,624 (100.0)	7,722 (100.0)	4,053 (100.0)	3,422 (100.0)	3,222 (100.0)	84,022 (100.0)

Sources: Company Financial Statements

Table V-4-6 Nine Major General Trading Firms' Share in Total Japanese Customs-cleared Exports and Imports in Fiscal 1983

(Million Yen)

	EXPORTS		IMPORTS	
	Value	Share in Total	Value	Share in Total
Total of Japan	36,130,698	100.0	30,601,438	100.0
Total of Major 9	16,806,933	46.5	19,846,631	64.9
MITSUI	2,476,741	6.9	3,784,133	12.4
MITSUBISHI	2,657,255	7.3	5,159,628	16.9
C. ITOH	2,181,690	6.0	2,522,189	8.2
MARUBENI	3,361,624	9.3	2,335,726	7.6
SUMITOMO	2,626,624	7.3	1,760,836	5.7
NISSHO-IWAI	1,311,299	3.6	2,080,918	6.8
TOCMEI	934,676	2.6	936,162	3.1
KANEMATSU	500,986	1.4	754,102	2.5
NICHINEN	753,038	2.1	512,937	1.7

Source: Customs Bureau, Ministry of Finance

Table V-4-7 Trend of Nine Major General Trading Firms' Share in Total Japanese Customs-cleared Exports and Imports (Fiscal Years)

(%)

	1975	1980	1983
Share in Exports	56.4	48.7	46.5
Share in Imports	55.6	56.0	64.9

Source: Customs Bureau, Ministry of Finance

4-3 Functions of General Trading Companies

There are numerous functions which are performed by general trading companies and they are closely interrelated. Generally speaking they utilize their functions most economically and effectively and encourage to develop new ones to cope with the requirements of the world economy.

Their functions will be largely classified into 2 groups, namely "basic" functions and "extended" functions. And the "basic" functions can be further divided into "trading", "financing" and "information". "Information" function was already detailed in 4-2-2 above.

4-3-1 "Basic" Functions

(1) Trading

The most basic function is to act as an intermediary between the suppliers and the users of commodities and to facilitate the flow of commerce at home and abroad. They have carried on this basic function with experience as long as for more than 100 years, utilizing their worldwide distribution networks.

The commodities they handle range "from missiles to noodles" according to the massmedia. However, there are several points to be observed as the characteristics of their trading as follows:

- a) Out of the total amount of dealings, approximately 70% is occupied by raw materials and producer goods against 10% by consumer goods. They tend to do business in large scale at a low trading commission less than 2%. Their main handling commodities are grains, oils, iron and steel and petrochemicals.
- b) The commodity structure of their export trade has drastically changed in parallel with the changes in the industrial structure of Japanese economy. They handled mainly textiles and foodstuffs twenty years ago and steel products and chemicals ten years later. Since then they have been gradually increasing the dealings in machinery, large-scale plants and electronic products. Nowadays machinery accounts for more than 68% of the Japanese exports.
- c) In imports, they have concentrated on the handling of natural resources and raw materials, but recently they are increasing imports of finished goods. First of all, the "trade friction" occurred between Japan and the USA and EC as well, urged the necessity of increasing of manufactured imports from them for the purpose of off-setting the trade imbalances. Secondly due to the increasing share of private consumption in gross national expenditure in Japan, they have increased the dealings in imports of finished goods, including fashion goods and sports articles.
- d) Offshore trade has been rapidly growing. The percentage of offshore trade in the total transactions accounted for 16% in 1983 against less than 10% five years ago. This is because they have increased the participation in the growing counter trade

transactions in the world markets, utilizing their overseas information networks.

(2) Financing

The second basic function is "financing". Financing function can be classified into two types. The first one is "trade credits" and the second one is "loans" and "guarantees".

Nine big trading companies offer trade credits of almost 14.8 trillion yen and they receive trade credits of almost 9.8 trillion yen, so the net credit offered by general trading companies is 5 trillion yen (approximately US\$ 21 billion by US\$ 1 = ¥235) at the end of March 1984. In view of the fact that Japanese bankers do not wish to run the risk of lending to small and medium sized enterprises, and they entrust the general trading companies with the functions of providing trade credits.

4-3-2 "Extended" Functions

Besides the above mentioned basic functions, general trading companies are endeavouring to develop new functions to meet the requirements of the industrial society. These new functions may be called "extended functions".

(1) Resources development

Japan has been a country not much endowed with natural resources and has to depend on raw materials of foreign origin. In the case of basic raw materials such as oil, natural gas, iron ore, etc., it has to import most of its requirements, namely, 99.8% for oil, 83.4% for coal, 99.6% for iron ore and 100% for both cotton and bauxite respectively. Since the 1950s when Japan started high economic growth through the 1970s, Japan has increased imports of natural resources year by year.

General trading companies have engaged in large investment for the development of overseas resources by themselves or in cooperation with foreign and domestic establishments. Their resources development projects cover the full range of basic materials, for example iron ore, coal, nonferrous metal ores such as copper ore, zinc ore, uranium and bauxite, petroleum, LNG, lumber, salt, agricultural and marine products of all types all over the world.

(2) Technology trade

General trading companies trade not only in commodities but also in non-commodities such as "technology" or "information". Through their worldwide network industrial technology has been imported to and exported from Japan.

a) Foreign technology to Japan

Through introducing technology to Japan, general trading companies developed new types of business, combining this activity

with transactions and financing. They have introduced the technology of synthetic textiles in the 1950s, and the petrochemical technology in the 1960s. In the 1980s they started to introduce technology of alternative energy such as solar or geothermal energy.

b) Japanese technology to abroad

Nowadays general trading companies have been active in organizing joint ventures in developing countries and the transfer of Japanese technology which will greatly contribute to the economic development of developing countries, both of labour intensive industry (textiles, fibre) and heavy industry (iron, petrochemicals). This has been performed in cooperation with the Japanese manufactures and engineering companies.

(3) Organizing

This function is the combination of all the functions previously mentioned. General trading companies can put together all the functions to organize and coordinate different types of business entities including general contractors, engineering firms, financing institutions, government agencies in different countries, and they promote projects overseas and domestic such as "international joint ventures" or "exports of large scale industrial plants", and "food industrial estate" or "petrochemical complex".

Quite recently leading general trading companies joined in the joint venture for the establishment of international communication network utilizing the communication satellite and also in another type of joint venture for domestic telephone system, which has been monopolized by a semi-governmental organization for a long period, in cooperation with the electric power generating company that owns long distance transmission lines.

Their organizing function is quite different from those of mere wholesalers, and involves a considerable risk and they dare take the risk and undertake the projects as organizers so as to complete them effectively and most economically taking advantage of their ability with accumulated know-hows as well as rich information resources.

5. SUGGESTIONS

5-1 Export Promotion Policy

The necessity of establishing the stable and consistent export promotion policy is well recognized by both the public and private sector and it is expected that the Export Promotion Law and its enforcement regulations will be effectively and promptly put into force for facilitating the business performance of exporters.

Exporters' interests are mostly concentrated on whether the tax incentive measures provided by the Law may be adequately and promptly carried out and whether the foreign exchange rates are properly maintained. The automatic repayment system of value-added tax should be established as early as possible, and a consistent foreign exchange policy for avoiding fluctuation and high value of austral.

Other fiscal matters affecting export quotation are the existence of export duty system, ocean freight tax, high import duties on capital goods imports, etc. Export duties on manufactured products should be exempted and should not be appropriated to the INTA fund. Ocean freight tax was reduced but should be exempted as exporters are already suffering from the disadvantage of high transportation costs. Import duties on capital goods imported for the improvement of productivity of exporters should also be exempted.

The structure of national revenue heavily depends on petroleum tax, value-added tax and international trade tax must be transformed. Tax incentive systems under the export promotion programs should not be subordinate to fiscal reason. The practice of export incentive measures should not be delayed. Instead of the Ministry of Economy, the percentage of fiscal benefits should be decided by the Secretariat of Foreign Trade and Industry on the basis of principle and standard established in accordance with the export priority policy in which the priority industries are specified.

Exporters who intend to participate in different promotional schemes have to apply for registration in each scheme with a volume of documents separately. Such documents should be reduced to the least minimum.

The simplification of export procedures is the urgent need of both public and private sectors. The establishment of regional offices by the Secretariat of Foreign Trade and Industry and foreign exchange banks is necessary and the training of personnel to deal with export procedures in regional areas is essential for the establishment of the single window system.

It is expected that the new Industrial Promotion Law will provide rules and regulations fully harmonized with the Export Promotion Law. And the foreign investment law and the technology transfer law should be modified so as to increase foreign investment and technology transfer for the improvement of productivity of export industries.

It is necessary to establish a system of re-guaranteeing export credits to small and medium industries.

5-2 Activities of Export Promotion Organizations

It is desirable to establish a system of information services, because basic market information must cover a wide range of subjects and requires a sizable collection of publications in overseas markets. For this purpose, it would be necessary to set up trade information documentation and service centers at major industrial cities in the country. A market research system should be established and included in the market development activities of the public sector. Public export market development activities such as a data bank for export promotion and information system by overseas commercial attaches should be strengthened.

Exporters associations classified by industries have to be organized as bodies for the "Trade Councils" to discuss and identify problems existed in individual industrial exports.

The design promotion activities of INTI should be encouraged in order to promote export designs.

The level of industrial standards established by the Institute of Material Rationalization (IRAM) should be raised to that of the international standards so that the IRAM marks may be used as qualified for the export quality certification.

5-3 Exporter's Activities and International Information Network

In Argentina manufacturers themselves export their products, and specialized trading companies are relatively few in number. They have not yet developed adequate overseas networks of marketing, personnel and information gathering. The most important constraint is the shortage of competent manpower experienced in international trading business. Market information available through trading partners is not sufficient, and it is vital to expand the networks of information collection in prospective markets.

International trading companies interviewed are those to be classified as specialized trading companies. The scope of their business activities must be amplified and diversified, and their financial capacity and business networks must be strengthened.

The consortium or cooperative of exporters have to increase their production capacity by installing more modernized production facilities and by increasing more members producing the same products. Common production facilities may be useful for the purpose.

Market development activities of exporters are very limited as mentioned above and have to be more intensified in order to increase exports. More governmental supports in this regard are needed. The training of personnel engaged in the international trade is necessary

and it is desirable to set up a system to educate younger generation to become well qualified persons to deal with international trade businesses which require a wide range of knowledge.

The modernization of production facilities is necessary for most exporters. Cost saving efforts are needed in the production process, procurement methods of raw materials and component parts, etc.

