

4.2 Japan's measures including barriers to trade and investment

Introduction

Japan has achieved economic development in the post-war period through free and fair trade, based on the principles of GATT/WTO and benefits from the results of previous GATT rounds. In recognition of this, the general objective of Japan's trade policy is to ensure its prosperity and growth in the long term by promoting business activities within Japan and throughout the world.

Japan seeks to achieve this objective by further strengthening the multilateral trade system as embodied in the WTO. Beyond Japan's own interest, the simplicity embodied in MFN provides a predictable and fair trade regime for all WTO members, in particular, developing members. Japan maintains the position that the WTO plays an essential role in formulating trade rules and liberalizing trade globally. Japan remains committed to the Doha Development Agenda and will continue to make every effort toward reaching agreement in the negotiations.

At the same time, more emphasis is currently placed on regional integration with other countries in Asia and other parts of the world, as a means to complement the WTO multilateral system. This position is a part of Japan's efforts to adjust to current trends in trade policies throughout the world.

4.2.1 Goods

Tariffs

Basic Tariff System

Japan's Customs duty rates are divided into the following three types: general tariff rates; temporary tariff rates; and WTO-bound tariff rates.

The general tariff rate applies to all goods prescribed in the Customs Tariff Law.

The temporary tariff rate prescribed in the Temporary Tariff Measures Law, however, is given priority over the general tariff rate.

For WTO-bound tariff rates Japan is obliged not to increase Customs duties beyond the rates in the tariff schedule under the WTO agreement. When the WTO-bound tariff rate is lower than the general tariff rate or the temporary tariff rate, the WTO-bound tariff rate has priority.¹⁶

¹⁶ The Customs Tariff Law provides for the application of the general tariff rates, the values to be considered as a basis for assessment, reduction, exemption and repayment of customs duty, anti-dumping and other special customs duty systems, contrabands, and so on. And the Customs Tariff schedule which covers about 7,000 tariff items based on the classification under the HS Convention created by the WCO, constitutes an important part of the law.

The Temporary Tariff Measures Law provides primarily for exceptions to the Customs Tariff Law in connection with tariff rates and the reduction, exemption and repayment of customs duty in response to industrial and economic changes on a short-term basis.

In Japan, Customs tariff policy and Customs administration are prescribed by the three principal laws. The last one other than abovementioned laws is the Customs Law. The Customs Law primarily provides for matters relating to the taxation

With respect to table 4.2.1, which is based on the Japanese tariff rate summary included in the 2004 APEC Individual Action Plan, Japan's simple average applied tariff rate is currently 7.1 per cent, down from 8.2 per cent in 2001. Almost 41 per cent of tariff lines were duty free in 2004. Some 99 per cent of tariff lines were bound, imparting a high degree of predictability to the tariff regime.

According to the tariff summary, for agricultural products, the simple average applied tariff rate was 20.9 per cent, and the import-weighted average applied tariff rate was 10.2 per cent in 2004. On the other hand, for non-agricultural products, the simple average applied rate was 3.9 per cent, and the import-weighted average applied tariff rate was 1.6 per cent in 2004.

Table 4.2.1 Japan's Tariff Structure, 2001 and 2004

| | 2001 | 2004 |
|---|-------|-------|
| Bound tariff lines as a percentage of all lines | 98.9% | 98.9% |
| Duty-free tariff lines as a percentage of all lines | 36.3% | 40.9% |
| Simple average bound tariff rate | 8.8% | 7.8% |
| Simple average applied tariff rate | 8.2% | 7.1% |
| Import-weighted average applied tariff rate | 2.5% | 2.4% |
| Import-weighted average bound tariff rate | 3.6% | 3.4% |

Source: APEC Individual Action Plan: Tariff Summary Report

Preferential Tariff Rate (GSP)

Preferential tariff rates are applicable to goods originating in designated developing countries and are lower than MFN duty rates. Countries and territories eligible to receive the preference are laid down in Annex 1 of the Cabinet Order of the Temporary Tariff Measures Law.

Simplified Tariff and Duty Rates System

In order to facilitate clearance, the following options are available for personal effects and small value imports.

1. Simplified and Combined Schedule Applicable to Imported Personal Effects

With regard to personal effects, the Customs Tariff Law provides for considerably simplified classification, and the schedule of Customs duty, consumption tax, and other internal taxes is laid down in a combined form.

2. Simplified Tariff Schedule on Small Value

When the total Customs value of commercially imported goods is 100,000 yen or less per importation, the simplified tariff schedule is applicable.

and collection of customs duties and the customs clearance procedures of import and export freight. The Customs Law also provides for the matters relating to vessels' port entrance and the hozei system as well as the penalties for violation of the Customs principal laws.

System for Customs Duty Reduction or Exemption

In light of requirements necessitated by economic, social and educational policy, etc., and to honour international conventions, practices and courtesy, systems for reduction or exemption of Customs duty are in place in Japan.

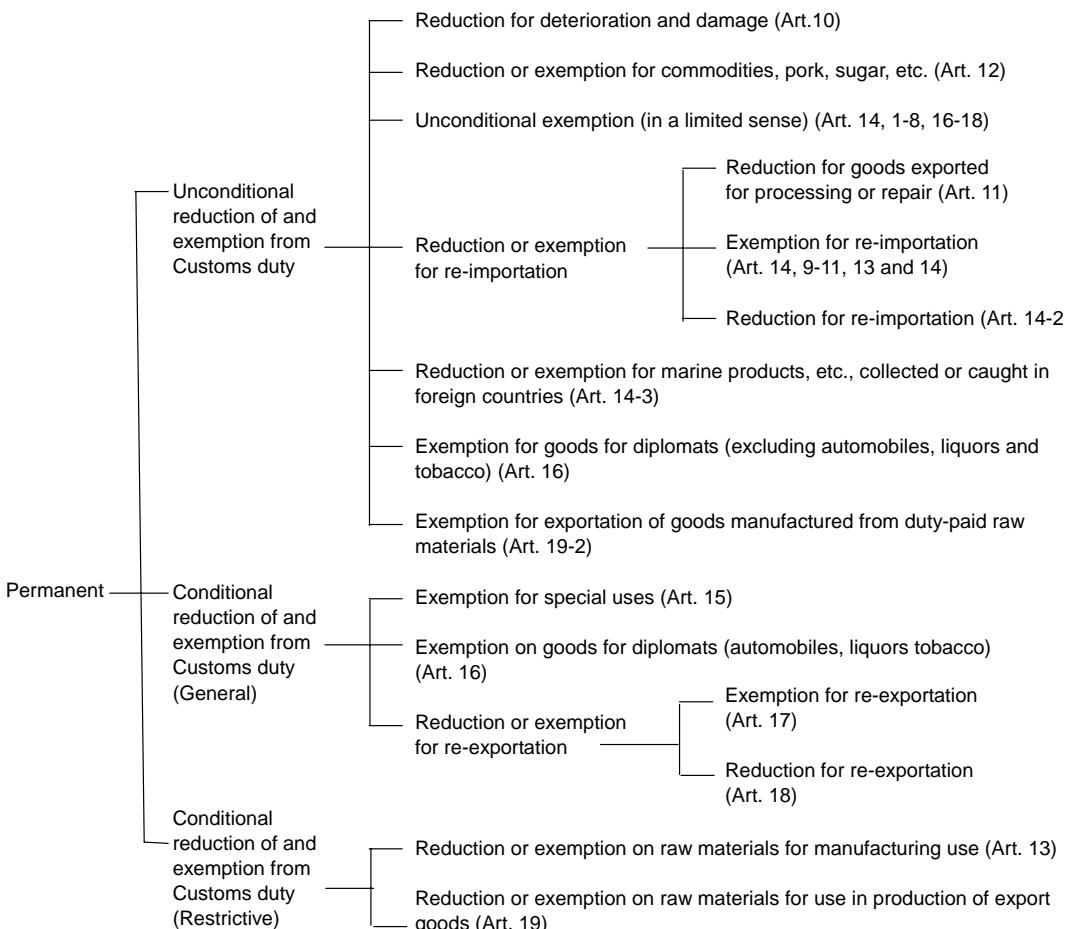
Reduction or exemption of Customs duty involves exemption from part or all of Customs duty chargeable on imported goods which conform to certain conditions provided for by law or regulation. The purposes of reduction or exemption of Customs duty are as follows:

- To develop domestic industries; to promote trade and science; to meet requirements associated with social welfare; to eliminate double taxation; to stabilize commodity prices; etc.
- To obtain reductions or exemptions of Customs duty, specific procedures are stipulated, such as the limitation of importers, procedures for reduction and exemption, special use after importation, approval of manufacturing plants, procedures for use after importation, etc.

When imported goods to which the provisions for Customs duty reductions and exemptions apply are offered within a period other than that specified by law, the responsible party is liable for Customs duty and any applicable penalties.

Chart 4.2.2 Systems for Reduction and Exemption of Customs Duty

(1) Customs Tariff Law (as at 1 April 2004)



(2) Temporary Tariff Measures Law

| | | |
|-----------|--|---|
| Temporary | Unconditional reduction of and exemption from Customs duty | Reduction for products manufactured from goods exported for processing or assembling (Art. 8) |
| | Conditional reduction of and exemption from Customs duty (General) | Exemption for hand luggage brought out of Okinawa Prefecture by travelers (Art. 10-4) |
| | Conditional reduction of and exemption from Customs duty (Restrictive) | Exemption for parts of aircraft, etc. (Art. 4) |

Note: In addition to the abovementioned systems for reduction and exemption of Custom duty, there are systems for reduction and exemption of Custom duty under certain international conventions

Tariff Quotas

The tariff quota system charges a lower duty rate (primary duty rate) on imports of specific goods up to a certain quantity, but a higher duty rate (secondary duty rate) on quantities exceeding that volume.

This system protects domestic producers of similar goods but also benefits consumers with the lowest tariff rates possible.

The tariff quota volume for each allocation can be applied in one of two ways: according to the order in which the request was received, or according to prior allocations. Japan utilizes the prior allocation method.

The tariff quota system does not restrict direct imports, since imports can be made without a tariff quota certificate, provided high duty is paid.

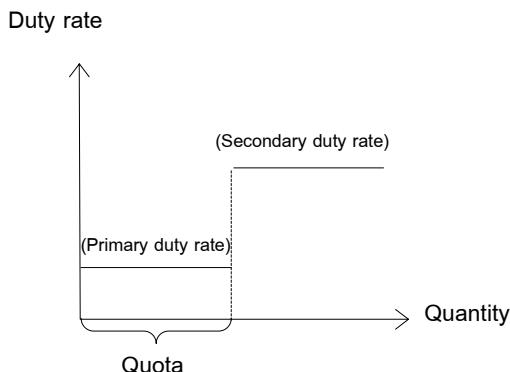
Regarding footwear, quota allocations to individuals or companies are based on historical trade performance in the importation of footwear. Japan has allocated quota not to quota traders but to footwear importers, so business can take place as per footwear importers requirements.

At the same time, new importers can acquire special quota for new importers. The Government of Japan implements this system in accordance with governmental regulation. Therefore, Japan believes that new importers have opportunities to obtain quotas under the current quota allocation system.

Several tariff quotas have specific end-use provisions in the tariff items. Information about holders of quota (including eligible end-users), such as their names and contact points, and also tariff quota allocation application forms and necessary information of tariff quota allocation procedures is published

through the web-site of the competent Ministries¹⁷. Tariff quota quantities and the level of in-quota imports for Japanese fiscal year 2003 appear in WTO notification document G/AG/N/JPN/99 dated September 8, 2004 at www.wto.org.

Chart 4.2.3 Tariff Quota System



Special Safeguard Measures and Emergency Tariff Measures

Japan's special safeguard measures are consistent with the WTO Agreement on Agriculture, and may be applied to specific agricultural products, such as pork, milk and cream, certain grains and legumes, starches and certain dairy products, where the previous quantitative import restrictions were converted into ordinary customs duties, according to the WTO Agreement. The frequency of Japan's use of special safeguard measures is reported in the WTO Trade Policy Review of January 2005 (pp. 61-63) at www.wto.org.

Japan has emergency tariff measures on imports of beef and pork. The details of the measures are described in Chapter 3.

Non-Tariff Measures

Japan imposes non-tariff measures on imports in accordance with its rights and obligations under the WTO, whether for reasons of environmental conservation, essential security, or in compliance with domestic legislative/policy requirements (including revenue objectives) or international commitments.

Import Quotas

Import quotas are imposed on various items, including certain fish products, certain organic chemicals, pharmaceuticals, explosives, rubber adhesives, military equipment and firearms.

¹⁷ MAFF: http://www.maff.go.jp/sogo_shokuryo/data/12kokusai_chousei/3seido/simei_kouhyo.htm (in Japanese)
METI: <http://www.meti.go.jp/policy/tariff/kouhyo.pdf> (in Japanese)

Japan's State Trading Enterprises

Leaf tobacco

Tobacco production is monopolized by the Japan Tobacco Inc. (JTI) for the purposes of promoting sound development of the tobacco industry under the provisions of the Tobacco Business Law. Although private traders can import leaf tobacco, this monopoly in effect renders all the importation of leaf tobacco for the manufacture of tobacco in Japan dependent upon subsequent purchase by the JTI.

Opium

Under the Opium Law, only the Ministry of Health, Labor and Welfare is authorized as a state trading enterprise, which can conduct import and export of opium, purchase opium from the opium poppy cultivators and from A class research cultivators and sell opium to narcotics manufacturers and narcotics research institutions.

Alcohol

The monopoly on certain types of alcohol (alcohol of an alcoholic strength by volume of 90 per cent vol. or higher) in place for more than 60 years was abolished on 31 March 2001. There were concerns that sudden liberalization of the alcohol market by the abolition of the monopoly system would result in unfavorable impacts on distribution and price, particularly for users in remote locations and small users due to their undeveloped private distribution networks. In order to alleviate the impact of such a drastic change in the market, the New Energy and Industrial Technology Development Organization (NEDO) will be undertaking, as a temporary step, all purchase / sales of alcohol for about five years from 1 April 2001.

Rice, wheat and barley

The Ministry of Agriculture, Forestry & Fishery (MAFF) is authorized to take measures to stabilize supply and demand situations as well as prices for such staple foods as rice, wheat and barley, for the purposes promoting stability of national life and economy, under the Law for Stabilization of Supply-Demand and Price of Staple Food.

Wheat, barley and rice imports are subject to a tariff quota. MAFF is responsible for all purchases within the tariff quota. While Japan has a commitment to a minimum access tariff quota under the Uruguay Round it usually sets a higher tariff quota volume in consultation with importers. Imports of rice, wheat and barley within the quota are not subject to duty while out of quota tariffs for rice are ¥341/kg and for wheat ¥55/kg and for barley ¥39/kg.

A 'mark-up' is also collected as per the schedules of tariff concessions to the GATT based on the Uruguay Round Agricultural Agreement. The ceiling amount of each 'mark-up' is laid down in the schedules to the agreement. The maximum mark-ups in the schedule represent the maximum profit that MAFF can obtain when it sells imported products to private firms in Japan. The mark up for rice is capped at ¥292/kg and for wheat ¥45.2/kg.

Selling prices of imported wheat and barley are determined by a Council commissioned by the government, composed of representatives of users, consumers and people with experience of academic standing, in accordance with the *Law for Stabilization of Supply-Demand and Price of Staple Food*.

Since 1995, Japan's rice imports have been subject to minimum access commitments defined by the Government based on the WTO Agreements. As part of Japan's minimum access commitments, a total of 50,067 tons were imported under the simultaneous buy sell system in FY 2002, and 100,000 tons in FY 2003.

Milk products

The Agriculture and Livestock Industries Corporation (ALIC) is authorized to take measures to stabilize supply and demand situations of and prices for milk products, to promote sound development of dairy and related industries and to improve national diet under the Manufacturing Milk Producer Compensation Temporary Law and the Agriculture and Livestock Industries Corporation Law.

As a part of such measures, ALIC, as a state trading enterprise, imports designated dairy products to ensure proper and smooth operation of the system to stabilize the supply/demand and price of the designated milk products.

As with grains, a 'mark-up' is also collected as per the schedules in the WTO Agricultural Agreement. The ceiling amount of each 'mark-up' is laid down in the schedules. ALIC imports and resells designated dairy products taking into account the domestic supply and demand situation through a competitive tender. The funds raised by ALIC are used to fund projects such as promotion of the dairy industry.

Usually imports are in the form of skim milk powder, butter and whey powder. In recent years most of the quota has been in the form of butter. The ALIC butter quota is divided into two categories by the colour of the butter, and the quantities of each category are decided according to the demand. However, the import conditions of both categories are the same.

In recent years Japan has taken steps to improve the transparency of the dairy quotas which are not controlled by ALIC. In particular, the Japanese Government now gazettes clearer information on eligibility criteria and successful quota applicants. This has lead to a greater uptake of the pooled quota for dairy products.

Raw silk

ALIC as a state trading enterprise, is authorized to import raw silk as part of measures to coordinate raw silk import, for the purposes of promoting stable management of the industry concerning cocoon and raw silk and increasing raw silk demand, under the provisions of the Raw Silk Import Coordination Law.

Tariff Rates on Major Australian Products

Table 4.2.4 sets out applied and bound tariffs for Australia's major export items to Japan in 2004, many of which are primary products, including a number of minerals, resources and metals. Japan's tariffs for these minerals resources are, with the exception of crude oil, set at zero. Tariffs on Australia's major agricultural exports to Japan vary.

Table 4.2.4 Tariffs on Major Australian Exports to Japan, 2004

| HS Category | Description | Applied Rate | Bound Rate | Import Value (\$ million) |
|-------------|--|---|---|------------------------------|
| 2701.12 | Coal | Free | Free | 576,922 |
| 2601.11 | Iron ores | Free | Free | 241,854 |
| 2711.11 | Liquid natural gas | Free | Free | 222,788 |
| 0201.30 | Beef (fresh or chilled, boneless) | *38.5% | 50% | 124,168 |
| 7601.10 | Aluminium | Free | Free | 85,703 |
| 4401.22 | Wood chips (Non-coniferous) | Free | - | 60,542 |
| 0202.30 | Beef (frozen, boneless) | *38.5% | 50% | 57,390 |
| 2603.00 | Copper ores | Free | Free | 51,680 |
| 2709.00 | Crude oil | ¥50/kl or ¥170/kl | - | 40,118 |
| 7501.10 | Nickel mattes | Free | Free | 33,312 |
| 1001.90 | Wheat (excluding durum wheat) and meslin | Free, 20% or ¥9.8/kg | Free, 20% or **¥55/kg | 30,856 |
| 1205.10 | Rape seeds | Free | Free | 25,443 |
| 2711.13 | Butanes | Free | Free | 24,293 |
| 1003.00 | Barley | Free or ¥10.4/kg | Free or **¥39/kg | 21,198 |
| 2711.12 | Liquid petroleum gas | Free | Free | 19,835 |
| 7601.20 | Aluminium alloys | Free | Free | 18,856 |
| 2309.10 | Dog or cat food | Free, ¥36/kg, or per each kg, ¥59.50 plus ¥6 for every 1% exceeding 10% by weight of lactose contained | Free, ¥36/kg, or per each kg, ¥59.50 plus ¥6 for every 1% exceeding 10% by weight of lactose contained | 17,447 |
| 4401.21 | Wood chips (Coniferous) | Free | - | 17,346 |
| 7108.12 | Gold (unwrought forms) | Free | Free | 15,150 |
| 0406.90 | Other cheese | Free or 29.8% | 29.8% | 14,899 |

* Return to the bound rate when emergency tariff is triggered.

** Tariff plus levies collected by the Government of Japan

4.2.1.1 Primary industry

This section is based on Japanese statistics included in its 2004 APEC Individual Action Plan Tariff Summary (Table 4.2.5). Import-weighted average bound rates are 3.4 percent for all goods, while they are 15.9 percent for agricultural products, 4.4 percent for fish and fish products, 1.9 percent for wood, pulp, paper, and furniture.

On the other hand, import-weighted average applied rates are 2.4 percent for all goods, 10.2 percent for the agriculture products, 4.5 percent for fish and fish products, 1.5 percent for wood, pulp, paper, and furniture.

Both import-weighted average bound and applied rates for all goods are very low by international comparison.

Agriculture excluding fish

As shown in table 4.2.5, the bound tariff lines as a percentage of all lines were 99.9 per cent in 2004. Duty-free tariff lines as a percentage of all lines were 24.2 per cent in 2004, up 0.5 percentage points from 2001. The ratio of tariff lines with quotas to all lines was 5.9 per cent in 2004, a decrease of 0.5 percentage points from 2001. The simple average bound tariff rate was 24.3 per cent in 2004, a decrease of 3.5 percentage points from 2001. The simple average applied rate tariff rate was 20.9 per cent in 2004, also a decrease of 4.2 percentage points from 2001.

Some 18.4 per cent of duties (247 lines) applied to agricultural goods are non-ad valorem. Most of these are specific tariffs (155 lines) but there are compound tariffs on 46 lines and mixed tariffs on 44 lines (WTO TN/AG/S/11 of 15 November 2004 at www.wto.org).

Fish and fish products

Bound tariff lines as a percentage of all lines were 88.1 per cent in 2004. Duty free tariff lines as a percentage of all lines were 8.6 per cent in 2004, an increase of 0.3 percentage points from 2001. The ratio of tariff lines with quotas to all lines was 0 per cent, the simple average bound tariff rate 5.0 per cent, and the simple average applied tariff rate 6.0 per cent in 2004.

Petroleum oils

Bound tariff lines as a percentage of all lines were 37.3 per cent in 2004. Duty-free tariff lines as a percentage of all lines was 9.8 per cent in 2004. The ratio of tariff lines with quotas to all lines was 0 per cent in 2004. The simple average bound tariff rate was 3.4 per cent, and the simple average applied tariff rate was 3.6 per cent in 2004. The average applied tariff rate for all lines subject to duty was 4.1 per cent.

Wood, pulp, paper and furniture

Bound tariff lines as a percentage of all lines were 93.3 per cent in 2004. Duty-free tariff lines as a percentage of all lines were 68.8 per cent in 2004. The ratio of tariff lines with quotas to all lines was 0 per cent, the simple average bound tariff rate 1.8 per cent, and the simple average applied tariff rate 1.6 per cent in 2004. The average applied tariff rate for all lines subject to duty was 5.3 per cent in 2004.

4.2.1.2 Manufactures

Short in natural resources, Japan traditionally maintains an industrial and trading pattern based on importing raw materials and energy resources for use in the manufacture of export products. As a consequence, the share of manufactured products among Japan's total imports has been low in the past. Tariffs in many major sectors, such as autos and auto parts, software, computers, and industrial machinery are free.

Textiles and clothing

Bound tariff lines as a percentage of all lines were 100 per cent in 2004. Duty-free tariff lines as a percentage of all lines were 2.6 per cent. The ratio of tariff lines with quotas to all lines was 0 per cent, the simple average bound tariff rate 6.7 per cent, and the simple average applied tariff rate 6.7 per cent in 2004. The average applied tariff rate for all lines subject duty was 6.9 per cent in 2004

Leather, rubber, footwear and travel goods

Bound tariff lines as a percentage of all lines were 100 per cent in 2004. Duty-free tariff lines as a percentage of all lines was 34.1 per cent in 2004. The ratio of tariff lines with quotas to all lines was 13.8

per cent, the simple average bound tariff rate 17.3 per cent, and the simple average applied tariff rate 17.3 per cent in 2004. The average applied tariff rate for all lines subject to duty was 26.2 per cent..

Metals

Bound tariff lines as a percentage of all lines were 100 per cent in 2004. Duty-free tariff lines as a percentage of all lines was 72.8 per cent in 2004. The ratio of tariff lines with quotas to all lines was 0 per cent, the simple average bound tariff rate 0.9 per cent, and the simple average applied tariff rate 0.8 per cent in 2004. The average applied tariff rate for all lines subject to duty was 3.3 per cent in 2004.

Chemicals & photographic suppliers

Bound tariff lines as a percentage of all lines were 100 per cent, and duty-free lines as a percentage of all lines were 32.8 per cent in 2004. The ratio of tariff lines with quotas to all lines was 0 per cent, the simple average bound tariff rate 2.5 per cent, and the simple average applied tariff rate 2.5 per cent in 2004. The average applied tariff rate for all lines subject to duty was 3.7 per cent in 2004.

Transport equipment

Bound tariff lines as a percentage of all lines were 100 per cent, and duty-free lines as percentage of all lines were 99.3 per cent in 2004. The ratio of tariff lines with quotas to all lines was 0 per cent, the simple average bound tariff rate 0.1 per cent, and the simple average applied tariff rate 0.1 per cent in 2004. The average applied tariff rate for all lines subject to duty was 8.4 per cent.

Non-electric machinery

Bound tariff lines as a percentage of all lines were 100 per cent, and the duty-free tariff lines as a percentage of all lines were also 100 per cent in 2004. The ratio of tariff lines with quotas to all lines is 0 per cent in 2004, and the simple average bound tariff rate and the simple average applied tariff rate were 0 per cent in 2004. The average applied tariff rate for all lines subject to duty was 0 per cent in 2004.

Electric machinery

Bound tariff lines as a percentage of all lines were 100 per cent, and duty-free tariff lines as a percentage of all lines was 96.4 per cent in 2004. The ratio of tariff lines with quotas to all lines was 0 per cent, the simple average bound tariff rate 0.2 per cent, and the simple average applied tariff rate 0.2 per cent in 2004. The average applied tariff rate for all lines subject to duty was 4.3 per cent in 2004.

Table 4.2.5 Japan's Tariff Summary Report, 2004

| ITEM | All Goods | Agri-culture excluding Fish | Fish and Fish Products | Petrol-eum Oils | Wood, Pulp, Paper and Furniture | Textiles and Clothing | Leather, Rubber, Footwear and Travel Goods | Metals | Chemical & Photo-graphic Supplies | Transport Equipment | Non-Electric Machinery | Electric Machinery | Mineral Products, Precious Stones & Metals | Manu-factured Articles, n.e.s |
|--|-----------|-----------------------------|------------------------|-----------------|---------------------------------|-----------------------|--|--------|-----------------------------------|---------------------|------------------------|--------------------|--|-------------------------------|
| Bound tariff lines as a percentage of all lines | 98.9% | 99.9% | 88.1% | 37.3% | 93.3% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 99.4% | 100.0% |
| Duty-free tariff lines as a percentage of all lines | 40.9% | 24.2% | 8.6% | 9.8% | 68.8% | 2.6% | 34.1% | 72.8% | 32.8% | 99.3% | 100.0% | 96.4% | 76.2% | 70.5% |
| Ratio of tariff lines with quotas to all lines | 1.8% | 5.9% | 0.0% | 0.0% | 0.0% | 0.0% | 13.8% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Simple average bound tariff rate | 7.8% | 24.3% | 5.0% | 3.4% | 1.8% | 6.7% | 17.3% | 0.9% | 2.5% | 0.1% | 0.0% | 0.2% | 0.8% | 1.4% |
| Simple average applied tariff rate | 7.1% | 20.9% | 6.0% | 3.6% | 1.6% | 6.7% | 17.3% | 0.8% | 2.5% | 0.1% | 0.0% | 0.2% | 0.9% | 1.3% |
| Average applied tariff rate for all lines subject to duty | 12.2% | 27.9% | 6.5% | 4.1% | 5.3% | 6.9% | 26.2% | 3.3% | 3.7% | 8.4% | 4.3% | 3.7% | 4.5% | |
| Import-weighted average applied tariff rate - specify FOB Or CIF | 2.4% | 10.2% | 4.5% | 0.8% | 1.5% | 8.4% | 11.3% | 0.6% | 2.0% | 0.0% | 0.0% | 0.1% | 0.3% | 0.6% |
| Import-weighted average bound tariff rate - specify FOB Or CIF | 3.4% | 15.9% | 4.4% | 3.7% | 1.9% | 8.5% | 11.3% | 0.6% | 2.0% | 0.0% | 0.0% | 0.1% | 0.3% | 0.6% |

Source : APEC Individual Action Plan 2004

Notes:

1. Data used

For the purpose of calculating tariff indicators, fiscal year 2002 tariff rates as of 1st of April (hereinafter in this Section referred to as the same) based on the HS-based FY 2002 statistical codes (9-digits) and the import values and quantities of calendar year 2001 were used.

(Note) The term "tariff" includes levies or markups, as appropriate.

2. Product coverage

For consistency with the product coverage agreed in the Uruguay Round, necessary adjustments were made i.e. those adjustments specified in Annex 2 were made to the IAP Format Guidelines coverage in Annex 1.

3. The calculation method of tariff rate other than ad valorem duty rates:

(1) Specific duty items: $(\text{specific duty} \times \text{import quantity}) \div \text{import value} \times 100$

(2) Selective duty items: the ad valorem equivalent was calculated for the specific duty portion as (1) above; the appropriate tariff rate was applied after comparing the ad valorem equivalent with the ad valorem duty.

(3) Compound duty items: the ad valorem equivalent was calculated for the specific duty portion as (1) above; the sum of the ad valorem equivalent and the ad valorem duty was applied.

(4) Price differential duty items: firstly, unit customs value was calculated based on import quantities and values; then, the ad valorem equivalent was calculated for the difference between the unit customs value and the reference import price.

(5) Special selective duty items (which compare the ad valorem level with the compound duty level) : firstly, the compound duty level was calculated; then, the appropriate rate was applied after comparing the ad valorem duty level with the compound duty level.

(6) As for import data, while the FY 2001 data (i.e. April 2001 to March 2002) should have been used, the calendar year 2001 data were used, due to technical reasons.

4. Treatment in cases where ad valorem equivalent cannot be calculated because no imports were recorded or the unit for duty does not correspond to that for trade statistics.

(1) Specific duty items: "0" per cent was applied.

(2) Selective duty items: only the ad valorem duty portion was applied.

(3) Compound duty items: only the ad valorem duty portion was applied.

(4) Price differential duty items: "0" per cent was applied.

(5) Special selective duty items (which compare the ad valorem duty level with the compound duty level) : after calculating the ad valorem equivalent, the appropriate rate was applied.

5. Cases where "0" per cent was drawn as a result of the treatment mentioned in the Section 4 above were excluded from calculations of simple average rate.

6. As for the out of tariff quota rates, even if there were no imports recorded under such tariff line, the ad valorem equivalent was calculated by using data of their corresponding in-quota imports.