

10 20 30  
**GENERAL AGREEMENT ON**

**TARIFFS AND TRADE**

RESTRICTED

L/7213  
10 May 1993

Limited Distribution

Original: English

JAPAN - NEW PACKAGE OF ECONOMIC MEASURES

Communication from Japan

The following communication, dated 6 May 1993, has been received from the Permanent Mission of Japan, with the request that it be circulated to contracting parties.

1. On 13 April, the Government of Japan announced a New Package of Economic Measures as an additional economic stimulus. This New Package will not only ensure a smooth shift to sustainable growth powered by domestic demand, but also contribute to the stable development of the world economy. The stimulation and expansion of Japanese domestic demand is expected to have a favourable effect on the trend of Japan's current account.

2. The following measures had already been implemented to stimulate domestic demand.

(1) Package of Economic Measures

A package of economic measures was announced in August 1992, which amounted to a record-setting Y10.7 trillion (approximately \$86.6 billion).

(2) Fiscal 1993 Budget

The fiscal 1993 budget paid due consideration to stimulation of the economy and included the sharpest growth in recent years in spending for public works (e.g. 4.8 per cent increase in public works expenditure in the General Account, 12.4 per cent increase in the Fiscal Investment and Loans Programme (FILP) funds allocated to public works-related institutions, 12.0 per cent increase in public works solely financed by local governments).

(3) Discount Rates Reduction

The official discount rate was lowered in February for the sixth consecutive time by the Bank of Japan and now stands at an historic low of 2.5 per cent. This is the lowest such level of any major industrial country.

Although these previous measures have begun to have an impact and the economy is gradually showing signs of recovery in some sectors, the current business conditions did not allow us to consider that such recovery was secured. Therefore, the Government has formulated this New Package of Economy Measures, notwithstanding its tight fiscal position, in order to consolidate such economic recovery. The package was formulated only two weeks after the approval of the fiscal 1993 budget, which represents an extraordinary action by the Government.

3. The features of the new package are as follows:

(1) Size

With total spending of approximately Y13.2 trillion (approximately \$116 billion<sup>1</sup>), this New Package is even larger than the package announced last August. This is a firm indication of Japan's determination to expand its economy.

(2) Impact

The Economic Planning Agency estimates that the multiplier effect of this New Package as a percentage of GNP is approximately 2.6 per cent over a year.<sup>2</sup>

(3) Main points

The following points constitute the main items of the package.

- Expansion of public investment	Y10.62 trillion (approx. \$94 billion)
- Promotion of private-sector investment through governmental financing	Y520 billion (approx. \$4.6 billion)
- Measures for small and medium-sized businesses	Y1.91 trillion (approx. \$17 billion)
- Tax measures	approx. Y150 billion (approx. \$1.3 billion)
- Enhancement of employment measures	Y28 billion (approx. \$0.25 billion)

---

<sup>1</sup>Calculation is based on the exchange rate as at the end of 13 April, or Y113.33 per dollar.

<sup>2</sup>The multiplier effect of the package announced last August, measured as a percentage of GNP, was estimated at approximately 2.4 per cent over a year.

(4) Front-loading of the Public Works Programmes

In implementing public works, more than 75 per cent of the budget allocated in fiscal 1993 will be under contract in the first half of fiscal 1993 as a result of front-loading.

(5) New Orientation in Social Infrastructure Improvement

The Government, in this package, plans to initiate a new orientation in improving the social infrastructure in order to respond to the needs of information-oriented society and ageing of the population and other socio-economic changes, and with the vision for the future expressed in "The Five-Year Economic Plan: Sharing a Better Quality of Life Around the Globe". This New Package of Economic Measures is intended to break new ground and to have a quick, direct and wide-ranging impact by dispersing investment over a wide range of fields in response to the state of the economy.

4. Expansion of domestic demand through these measures is expected to contribute to increased imports into the Japanese market, to which principles of non-discrimination, transparency, fairness and openness are applied. In addition, the following measures are included in the package to increase imports.

- (1) Along with improving foreign trade terminals at harbours and other import-related infrastructure, efforts will be made to establish foreign access zones. In connection with this, the Integrated Hozei Area System will be utilized. Efforts will also be made to speed up import clearance by using the system of simplified customs duty rates for small-value importation.
- (2) In order to work for the penetration of imports and import-related businesses into regional areas, efforts will be made to step up the import-promotion activities of the Japan External Trade Organization (JETRO), such as the establishment of regional import promotion centres.
- (3) Together with a reduction in the interest rates of financial measures for the promotion of imports by such organizations as the National Finance Corporation and the Small-Business Finance Corporation, efforts will be made to improve lending operation by the Export-Import Bank of Japan to foreign firms which seek to export to Japan.
- (4) Due consideration will be given to opportunities for the import of foreign manufactured products in the government's procurement of equipment for governmental facilities, etc.
- (5) Efforts will be made to encourage greater use of the Tax Incentives to Promote Manufactured Imports which were expanded and strengthened on 1 April 1993. A new investment incentive tax

system for computerized production systems and other labour-saving machinery and equipment is to be put into effect as of 1 July 1993, through the end of June 1994, which covers a good portion of imported investment goods.

- (6) Efforts will be made to promote imports from developing countries by improving the ceiling controls of the preferential tariff system for mining and manufactured goods. These improvements were put into effect on 1 April 1993.
- (7) While paying close attention to trends in the exchange rate, studies on trends of the prices of imported goods will be continued with a view to grasping full and accurate information on how the yen's appreciation is filtering down to market prices.
- (8) Active use will be made of the Office of Trade and Investment Ombudsman (OTO) for the further improvement of market access. In this connection, the Government will promptly make an appropriate decision respecting fully the report "Opinions on Market Opening Measures as concerns Standards, Certification and Others" issued by the OTO Advisory Council (12 April 1993) and will take quick and appropriate measures in line with such a decision.
- (9) Taking into consideration the economic difficulties of many developing countries, efforts will be made to enhance efficient and effective assistance for developing countries in order to support their self-help efforts.

5. It is intended to submit the necessary budgetary measures in this session of the Diet which will lead to full and prompt implementation of this New Package.