

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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SUBSIDIES

Notifications of Changes in Subsidy Measures

Japan¹

The Government of Japan has submitted the following revised notification on subsidies, in which changes made since the last notification are underlined with dotted lines.

Although the following measures are believed not to fall under the provisions of Article XVI of the General Agreement, this notification is submitted in accordance with L/2284, to serve as reference material for the operation of the provisions of the said Article.

A. SPECIAL MEASURES FOR RICE, WHEAT AND BARLEY

RICE

I. Nature and extent of measure

(a) Background and legal basis

For the purpose of securing the supply of rice and of stabilizing the national economy, the Government, in accordance with the Food Management Law (Law No. 40 of 1942), places all domestic and imported rice under its direct control. The Law provides that producers of rice must sell all the rice they produce excluding their quota reserves for family consumption, and importers of rice must sell all the rice they import, to the Government. The Government, then, distributes the rice thus purchased to the consumers at a fixed price through registered rice sellers.

(b) Incidence

The Government purchasing price is fixed by giving consideration to the rice production cost, commodity prices and other economic circumstances with the purpose of ensuring reproduction by the producers. The Government's selling price is fixed with the object of stabilizing the consumer household economy by considering household expenditures, commodity prices and other economic factors.

¹Last previous Japanese notification is in L/1948/Add.10.

In recent times, the Government selling price has been set at lower than the Government purchasing price plus the Government's incidental expenditures. As a result, the deficits in the Food Management Special Account accrued from the purchasing and selling of agricultural commodities including rice, wheat and barley, are made up by the inventory finance. This deficit is not a direct subsidy, and is contributing to the stabilization of the household economy of the producer and of the household economy of the consumer. The deficits compensation amount changes each year in accordance with the changes in the Government purchasing and selling price of rice.

(c) Amount of inventory finance

The deficit in the domestic rice management account of the Food Management Special Account for the fiscal year 1963 amounted to ¥88,600 million.

(d) Estimated amount per unit

The unit price arrived at by subtracting the Government selling price from the sum of the Government purchasing price and the Government's incidental expenditures, was approximately ¥2,100 per 150 kgs. for the 1963 rice crop.

II. Effect of measure

(a) Estimated quantitative trade effects of the measure

Imports of rice had been on a downward trend until 1961. This is due to a decrease of demand for imported rice which was caused by the rising national income, the improvement of dietary patterns and also the increase of domestic rice crop, in addition to the fact that the imported rice essentially does not agree with the taste of consumers at large because of its quality.

However, imports of rice are increasing again because the domestic rice production, which had been on a straight upward trend until 1960, has slackened due mainly to the adverse climatical conditions and also because the demand for rice remains strong as the population continues to increase. It is, therefore, believed that the measure has no detrimental effect upon rice trade.

(b) Statistics (unit 1,000 tons)

	<u>1959 F.Y.</u>	<u>1960 F.Y.</u>	<u>1961 F.Y.</u>	<u>1962 F.Y.</u>	<u>1963 F.Y.</u>
Production	12,501	12,858	12,419	<u>13,009</u>	<u>12,812</u>
Import	247	219	77	<u>182</u>	<u>239</u>
Export	0	0	0	<u>0</u>	<u>0</u>
Consumption	12,337	12,618	13,062	<u>13,315</u>	<u>13,410</u>

WHEAT AND BARLEY

I. Nature and extent of measure

(a) Background and legal basis

Pursuant to the Food Management Law, it is the duty for the Government to purchase wheat and barley to the unlimited amount in compliance to the sale application from wheat and barley producers in order to secure the national food supply and the stabilization of the national economy. In fact, practically a great part of the domestic wheat and barley sold by producers are purchased by the Government. And together with imported wheat and barley, the same are sold by the Government so as to stabilize the price as well as the demand and supply of wheat and barley.

(b) Incidence

The Government purchasing price of wheat and barley is determined based on the parity price of wheat and barley so as not to be lower than the parity price based upon the average purchasing price of wheat and barley produced in 1950-51, and to ensure the reproduction of wheat and barley by giving due consideration to the wheat and barley production and other economic factors. While the Government selling price is determined to stabilize consumers' family living with due consideration to their family budget, price of rice and other economic factors. Despite the annual increase in the Government purchasing price in recent times because of the rise in the parity index, as consumer prices of wheat and barley products are left unchanged or even declined to secure the stabilization of consumers' family budget, the purchasing price is higher than consumer's price. As the result thereof deficits in the Food Management Special Account are covered by the inventory finance the same as in the case of rice.

(c) Amount of inventory finance

Deficits in the said Special Account in the 1963 fiscal year from the domestic wheat and barley management account amounted to ¥2,000 million for barley and naked barley, and ¥4,600 million for wheat, totalling ¥6,500 million.

(d) Estimated amount per unit of inventory finance

The amount obtained by subtracting the Government selling price from the Government purchasing price plus the various Government expenditures for the 1963 wheat and barley was about ¥680 per 52.5 kg. for barley, ¥940 and ¥780 per 60 kg. for naked barley and wheat, respectively.

II. Effect of measure(a) Estimated quantitative trade effect of the measure

In spite of the Government expenditures mentioned above, the production of all of wheat, barley and naked barley is on the decrease. (The year 1963 witnessed an unusually poor crop. The production in 1964 registers a slight recovery from the level of the previous year but remains lower than that of 1962.) As a consequence, the imports of wheat in the 1963 fiscal year reached a high level of 3,410 thousand tons. It is considered, therefore, that the measure is not detrimental to trade of wheat and barley.

(b) Statistics (unit 1,000 tons)

	<u>1959 F.Y.</u>	<u>1960 F.Y.</u>	<u>1961 F.Y.</u>	<u>1962 F.Y.</u>	<u>1963 F.Y.</u>
Wheat					
Production	1,416	1,531	1,781	<u>1,630</u>	<u>716</u>
Import	2,525	2,660	2,660	<u>2,490</u>	<u>3,412</u>
Export	23	47	71	<u>93</u>	<u>73</u>
Consumption	3,791	3,965	4,190	<u>4,271</u>	<u>4,290</u>

	<u>1959 F.Y.</u>	<u>1960 F.Y.</u>	<u>1961 F.Y.</u>	<u>1962 F.Y.</u>	<u>1963 F.Y.</u>
Barley					
Production	1,241	1,206	1,127	<u>1,024</u>	<u>646</u>
Import	315	30	0	<u>0</u>	<u>414</u>
Export	1	1	0	<u>0</u>	<u>1</u>
Consumption	1,566	1,165	1,271	<u>1,198</u>	<u>1,079</u>
Naked barley					
Production	1,067	1,095	849	<u>702</u>	<u>113</u>
Import	0	0	0	<u>0</u>	<u>0</u>
Export	0	0	0	<u>1</u>	<u>0</u>
Consumption	1,358	976	959	<u>778</u>	<u>410</u>

B. PRICE SUPPORT AND STABILIZATION MEASURES

SWEET AND WHITE POTATOES

I. Nature and extent of measure

(a) Background and legal basis

In order to prevent the price drop of sweet and white potatoes lower than the normal price level, the Government purchases and sells the starch produced therefrom based upon the Agricultural Commodity Price Stabilization Law of 1953.

(b) Incidence

(i) As to sweet and white potatoes, the raw material standard price is determined based on the parity price, giving due consideration to the production cost and demand and supply situations and other economic conditions, and the purchasing standard price of starch is determined based upon the raw material standard price plus processing costs.

(ii) The utmost efforts are made by the Government to stabilize the price of starch by letting the producers associations carry out the marketing adjustment on their own initiative to maintain the starch price at the level

of purchasing standard price. However, when the over-supply, for example, of starch seems to prevent them from stabilizing the price, the Government makes a purchase of the necessary quantities at the purchasing standard price in order to stabilize the price.

(iii) Starch thus purchased by the Government is sold in the market. It is stipulated, however, that the selling price should not be lower than the purchasing standard price and the current market price, except in special cases.

(c) Amount of inventory finance

Total amount of inventory finance in the 1963 fiscal year is as follows:

Sweet potato starch	¥ 3 million
White potato starch	¥ 21 million
Sliced-and-dried sweet potatoes	0
Total	¥ 24 million

II. Effect of measure

(a) Estimated quantitative trade effect of the measure

The measure is to stabilize the price fluctuations and does not have a nature of price support subsidy in substance intended to raise the price level. It is believed that it has no influence on trade.

(b) Statistics (unit 1,000 tons)

	<u>1959 P.Y.</u>	<u>1960 P.Y.</u>	<u>1961 P.Y.</u>	<u>1962 P.Y.</u>	<u>1963 P.Y.</u>
<u>Sweet potato starch</u>					
Production	519	474	525	607	740
Import	1	1	1	21	3
Export	0	0	0	0	0
Consumption	475	560	628	630	672

	<u>1959 P.Y.</u>	<u>1960 P.Y.</u>	<u>1961 P.Y.</u>	<u>1962 P.Y.</u>	<u>1963 P.Y.</u>
<u>White potato starch</u>					
Production	145	158	170	<u>130</u>	<u>150</u>
Import	0	0	0	<u>14</u>	<u>0</u>
Export	0	0	0	<u>0</u>	<u>0</u>
Consumption	120	132	145	<u>211</u>	<u>168</u>

- Note: 1. Imported sweet potato starch is sago starch
2. P.Y. stands for potato year (October - September)

RAW SUGAR

I. Nature and extent of measure

(a) Background and legal basis

A Law Concerning Special Measures for Sugar Resources was enacted in 1964, as Law No. 41 of 1964, for the purpose of raising the production of raw sugar whereby to improve agricultural management, stabilize farmers' earnings and maintain domestic supply of sugar. In accordance with the said Law, the minimum producers' price of raw sugar is set up and it is maintained through Government purchases of the sugar refined from domestic raw sugar.

(b) Incidence

The Government makes a purchase of the sugar which has been refined from domestic raw sugar obtained at a price higher than the minimum producers' price when it is considered necessary because of the market price of refined sugar dropping below the Government purchasing price of domestic sugar. The Government also purchases the refined sugar of the same category from newly established factories when it is considered needed. The Government purchasing price is determined by the average processing and marketing costs added to the minimum producers' price

which is arrived at on the basis of parity price by taking into consideration the commodity prices and other economic factors. (When arriving at the Government purchasing price, recommendation, if made, on sales price of raw sugar is to be taken into account.)

The sugar thus purchased by the Government is released to the market at the current market price.

II. Effect of measure

(a) Estimated quantitative trade effects of the measure

Raw sugar imports were liberalized in August 1963. Since imported sugar accounts for more than half of the consumption, the domestic sugar price is determined by the international price. In other words, the measure has no such effect as to raise the domestic sugar price.

(b) Statistics (Sugar)

	<u>1959</u>	<u>1960</u>	<u>1961</u>	<u>1962</u>	<u>1963</u>
Production	225	282	325	<u>425</u>	<u>447</u>
Imports	1,107	1,181	1,277	<u>1,248</u>	<u>1,222</u>
Exports	29	14	14	<u>5</u>	<u>7</u>
Consumption	1,333	1,440	1,560	<u>1,666</u>	<u>1,686</u>

- Note:
- 1) Production and consumption figures include sugar equivalent value of glucose.
 - 2) The import volume is of refined sugar converted from that of raw sugar.

SOYBEANS AND RAPESEED

I. Nature and incidence of measure

(a) Background and legal basis

In order to cope with the influence of the imported soybeans on the prices of domestic soybeans and rapeseed, the price support programme has been enforced by the enactment of Soybeans and Rapeseed Price Subsidy Temporary Measures Law in 1961. Based on the said Law the price subsidy is granted to producers, through the producers' associations adjusting marketing on their own initiative, with the purpose of contributing to insure the soybeans and rapeseed production and to stabilize farm income.

(b) Incidence

Amount of price subsidy is computed by multiplying the "unit amount obtained by subtracting the standard selling price from the basic price" by the "amount of soybeans or rapeseed marketed by the producers' associations consigned by member producers".

Basic price is determined each year by the parity price based on the 1956-59 average market price of producers and by taking account of the production situations, etc., with a view to securing the reproduction. Standard selling price is determined each year based on the amount obtained by subtracting the marketing costs from the standardized marketing price of producers' associations. Accordingly, subsidy's unit price undergoes a change each year.

(c) Amount of inventory finance

Total subsidy in the 1963 fiscal year is as follows:

For the <u>1963</u> soybeans	<u>¥25,195,000</u>
For the <u>1963</u> rapeseed	<u>0</u>

(d) Estimated unit subsidy (budget)

	<u>1963 soybeans</u> <u>(per 60 kg)</u>	<u>1963 rapeseed</u> <u>(per 60 kg)</u>
Basic price	<u>¥ 3,310</u>	<u>-</u>
Standard selling price	<u>¥ 3,053</u>	<u>-</u>
Unit subsidy	<u>¥ 257</u>	<u>-</u>

II. Effect of measure(a) Estimated quantitative trade effect of the measure

Because the domestic production of soybeans and rapeseed as a whole is decreasing with the increase in soybeans imports, it is believed that the measure has no impact on the import.

(b) Statistics (unit 1,000 tons)

	<u>1959 F.Y.</u>	<u>1960 F.Y.</u>	<u>1961 F.Y.</u>	<u>1962 F.Y.</u>	<u>1963 F.Y.</u>
<u>Soybeans</u>					
Production	426	418	387	<u>336</u>	<u>318</u>
Import	1,073	1,081	1,176	<u>1,284</u>	<u>1,617</u>
Export	0	0	0	<u>0</u>	<u>0</u>
Consumption	1,269	1,299	1,360	<u>1,430</u>	<u>1,719</u>
<u>Rapeseed</u>					
Production	262	264	274	<u>247</u>	<u>129</u>
Import	49	13	35	<u>49</u>	<u>89</u>
Export	0	0	0	<u>0</u>	<u>0</u>
Consumption	303	271	309	<u>311</u>	<u>197</u>

COCOONS AND RAW SILKI. Nature and extent of measure(a) Background and legal basis

Despite the tendency of large fluctuations in the demand for raw silk caused by domestic and international business conditions and changes in fashion, the production and marketing facilities are not flexible enough to cope with these changes, so that the price of raw silk is vulnerable to violent fluctuations and such condition brings about instability to the management of sericultural industry.

In order to stabilize the management of the sericultural industry as well as to prevent the abnormal price fluctuation of cocoon and raw silk, the Cocoon and Stabilization Law was enacted in 1951.

(b) Incidence(Operational conditions)

(i) Purchase and sale, etc.

The Government purchases raw silk upon the application of producers, etc. at the floor price within the budgetary limits and sells to buyers on demand at the ceiling price.

In case the market price of cocoon falls below the prescribed floor price, federations of agricultural co-operations designated by the Government are obliged to store cocoon, and the costs involved in their storage are subsidized by the Government. In the case when the dried cocoon thus stored by the said federations are retained unsold to buyers even after the elapse of a certain period, the Government purchases such dried cocoon.

(ii) The ceiling and floor prices for raw silk and the floor price for cocoons.

The ceiling and floor prices for raw silk are determined each year on the basis of production and marketing costs and with due consideration to the prices of the principal textiles, commodity prices and other economic factors. The floor price of cocoons is determined on the basis of the production cost and with reference to the floor price of raw silk, the demand and supply of cocoons, commodity prices and other economic factors. The raw silk ceiling and floor prices and the cocoon floor price for the 1964 silk year (June 1963 - May 1964) were ¥5,500, ¥4,000 and ¥506 per kilogram respectively.

(c) Operating capital of the system

To carry out the price stabilization programme stated above (b)(i), the Raw Silk Price Stabilization Special Account has been established with the Government investment of ¥3,000 million. The Special Account is authorized to borrow up to ¥11,500 million.

II. Effect of measure

(a) Estimated quantitative trade effects of the measure

Because the system is directly concerned to prevent extraordinary price fluctuations of cocoon and raw silk and it cannot be considered to have effects on trade.

(b) Statistics on production, consumption, import and export of cocoon and raw silk

(i) Statistics for the last three years.

(Unit: ton)

Commodity	Year (Calendar)	Production	Imports	Exports	Consumption
Cocoon	1960	111,208	5	7	105,759
	1961	115,288	79	15	108,046
	1962	109,066	--	18	115,966
	<u>1963</u>	<u>110,916</u>	<u>16</u>	<u>4</u>	<u>105,399</u>
Raw silk	1960	18,048	29	5,299	15,415
	1961	18,679	17	4,206	14,715
	1962	19,896	--	4,647	15,292
	<u>1963</u>	<u>18,079</u>	<u>8</u>	<u>3,463</u>	<u>14,057</u>

(ii) Statistics for the latest year prior to the establishment of price support system.

(Unit: ton)

Commodity	Year (Calendar)	Production	Imports	Exports	Consumption
Cocoon	1950	93,394	121	1	70,458
Raw silk	1950	10,620	0	5,677	7,968

Note: Import figures in (i) and (ii) are from the "Customs Statistics" of the Ministry of Finance and others are from the Raw Silk Bureau of the Ministry of Agriculture and Forestry.

LIVESTOCK PRODUCTS

I. Nature and extent of measure

(a) Background and legal basis

A Law Concerning Stabilization of Livestock Products Price was enacted in November 1961 with the purpose of stabilizing the prices of principal livestock products to promote the sound development of livestock and its inter-related industries whereby to contribute to the improvement of the national livelihood. The Law delegates an authority to the Minister of Agriculture and Forestry to establish stabilization prices for fresh milk, designated dairy products and meats, and also the Law provides such systems as the Livestock Industry Promotion Corporation which enables these products to be purchased and sold within the stabilized price belt and also deals with other relevant matters.

(b) Incidence

The Livestock Industry Promotion Corporation has so far carried out the following business to accomplish the above purpose.

(i) When pork price sharply dropped in 1962, the Corporation purchased about 6,000 tons (carcasses for 110,000 hogs) of pork from early March to late June of the same year at the stabilized basic price. As the market price of pork has remained steady since the latter half of 1962, pork purchased in 1962 was sold until the end of May 1963, at the price of boneless cut meat corresponding to the market price of hog carcasses..

(ii) From early spring of 1962, as the price of dairy products continued to drop because of demand decrease and from the end of 1962 to early 1963, prices of dry skim milk, condensed sweet skim milk and condensed sweet whole milk began to drop below the floor price of the stabilized price, the Corporation has purchased the dairy products.

As the price of butter dropped below the floor price of the stabilized price from the latter half of 1963, the Corporation purchased about 1,600 tons of butter from December 1963 to March 1964.

Moreover, the stabilized basic price of fresh milk and designated meats and the stabilized floor prices of designated dairy products are determined with the purpose of preventing the price drop below the said prices respectively and due consideration is given to the production conditions, demand and supply situations and other economic factors.

(iii) Total budget

The expenditures required for the purchase of pork amounted approximately to ¥1,750 million (¥1,400 million for the purchase and ¥350 million for the storage), and those for the purchase of dairy products, around ¥2,000 million. In the case of butter, ¥760 million was needed for the purchase and another ¥100 million for other expenditures such as storage.

(c) Amount of inventory finance

In order to assist the Livestock Industry Promotion Corporation to carry out the aforementioned projects, the Government invested in the Corporation ¥500 million in 1961, 1962, and 1963 and ¥400 million in 1964 respectively.

II. Effect of measure(a) Estimated quantitative trade effect of this measure

The measure contributes to ensure the agricultural reproduction by preventing price drop of livestock products below certain price level as well as to stabilize the national livelihood by preventing a sharp price rise. There is no direct influence on trade.

(b) Statistics on production, consumption, import and export

(i) Production of fresh milk and principal dairy products

Year	Fresh Milk (ton)	Dry skim milk (ton)	Condensed sweet whole milk (ton)	Condensed sweet skim milk (ton)
1960	<u>1,886,997</u>	10,552	<u>42,824</u>	<u>24,720</u>
1961	<u>2,113,537</u>	11,691	<u>45,403</u>	<u>28,955</u>
1962	<u>2,437,050</u>	<u>16,898</u>	<u>50,520</u>	<u>30,905</u>
<u>1963</u>	<u>2,761,250</u>	<u>25,220</u>	<u>47,643</u>	<u>28,859</u>

(ii) Import of dairy products (unit: ton)

Year	Dry skim milk	Condensed sweet skim milk	Condensed sweet whole milk
1960	43,426	-	<u>1</u>
1961	31,299	65	--
1962	<u>45,114</u>	<u>3</u>	<u>1</u>
1963	<u>67,748</u>	<u>8</u>	--

Source: Japan's International Trade Monthly, Ministry of Finance.

(iii) Production, import and export of hog carcasses (Unit: ton)

Year	Production	Import	Export
1960	147,318	5,897	0
1961	<u>206,288</u>	988	0
1962	<u>324,188</u>	<u>2</u>	0
1963	<u>279,354</u>	<u>6,512</u>	<u>0</u>

Sources: Production: Livestock Bureau of Ministry of Agriculture and Forestry.

Import: Japan's International Trade Monthly, Ministry of Finance.

