

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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Notifications Pursuant to Article XVI

Addendum

JAPAN

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/2555, 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 measures

(a) Background and legal basis

For the purpose of securing the national staple food supply 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 maintaining production 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.

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 transfer from the General Account. This deficit compensation is not a direct subsidy, and is contributing to the stabilization of the household economy of the producer and the consumer. The amount of deficit compensation changes each year in accordance with the changes in the Government purchasing and selling price of rice.

(c) Amount of deficit

The deficit in the domestic rice management account of the Food Management Special Account for the fiscal year 1964 amounted to ¥122,900 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 ¥2,000 per 150 kgs. for the 1964 rice crop.

II. Effect of measures

(a) Estimated quantitative trade effects of the measures

Imports of rice had been on a downward trend until 1961. This was 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 '000 tons)

	1962 f.y.	1963 f.y.	1964 f.y.
Production	13,009	12,812	12,584
Import	182	239	502
Export	0	0	0
Consumption	13,315	13,410	13,361

WHEAT AND BARLEYI. Nature and extent of measures(a) Background and legal basis

Pursuant to the Food Management Law, it is the duty of the Government, in order to secure the national food supply and the stabilization of the national economy, to purchase wheat and barley up to an unlimited amount when offered by wheat and barley producers. In fact a great part of the domestic wheat and barley crop is sold by producers to the Government. These supplies, together with imported wheat and barley, 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 on the basis of 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 maintain production of wheat and barley by giving due consideration to the wheat and barley production and other economic factors. The Government selling price is determined so as 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, consumer prices of wheat and barley products were left unchanged or even lowered to secure the stabilization of consumers' family budget. The purchasing price is higher than consumers' price, and resulting deficits in the Food Management Special Account are covered by the transfer from the General Account, as in the case of rice.

(c) Amount of deficit

Deficits in the said Special Account in the 1964 fiscal year from the domestic wheat and barley management account amounted to ¥5,600 million for barley and naked barley, and ¥11,700 million for wheat, totalling ¥17,300 million.

(d) Estimated amount per unit

The amount obtained by subtracting the Government selling price from the Government purchasing price plus the various Government expenditures for the 1964 wheat and barley was about ¥960 per 52.5 kg. for barley, ¥1,320 and ¥1,090 per 50 kg. for naked barley and wheat, respectively.

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

In spite of the Government expenditures mentioned above, the total production of wheat, barley and naked barley is on the decrease. The year 1963 witnessed an unusually poor crop. The production in 1964 registered a slight recovery from the level of the previous year but remained lower than that of 1962. As a consequence, the imports of wheat in the 1964 fiscal year reached a high level of 3,471 thousand tons. It is considered, therefore, that the measure is not detrimental to trade of wheat and barley.

(b) Statistics (unit '000 tons)

	1962 f.y.	1963 f.y.	1964 f.y.
<u>Wheat</u>			
Production	1,630	716	1,244
Import	2,490	3,412	3,471
Export	93	73	68
Consumption	4,271	4,290	4,505
<u>Barley</u>			
Production	1,024	646	812
Import	-	414	580
Export	-	1	-
Consumption	1,198	1,079	1,391
<u>Naked barley</u>			
Production	702	113	390
Import	-	-	-
Export	1	-	-
Consumption	778	410	327

B. PRICE SUPPORT AND STABILIZATION MEASURESSWEET AND WHITE POTATOESI. Nature and extent of measures(a) Background and legal basis

In order to prevent the price drop of sweet and white potatoes below the normal price level, the Government purchases and sells the starch produced therefrom, as provided for in the Agricultural Commodity Price Stabilization Law of 1953.

(b) Incidence

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

(ii) 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 1964 fiscal year is as follows:

Sweet potato starch	¥572 million
White potato starch	¥18 million
Sliced-and-dried sweet potatoes	0.
Total	¥590 million

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

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 '000 tons)

	1962 p.y.	1963 p.y.	1964 p.y.
<u>Sweet potato starch</u>			
Production	607	740	650
Import	-	-	-
Export	-	-	-
Consumption	630	672	703
<u>White potato starch</u>			
Production	130	150	180
Import	13	58	35
Export	-	-	-
Consumption	211	168	167

Note:

1. Figures of imported white potato starch also include those of sago starch and tapioca starch, etc.
2. P.y. stands for potato year (October-September), except that calendar year applies for import.

SUGARI. Nature and extent of measures(a) Background and legal basis

A Law Concerning Special Measures for Sugar Resources was enacted in 1964, for the purpose of raising the production of sugar crops thereby improving agricultural management, to stabilize farmers' earnings and to maintain the domestic supply of sugar. In accordance with the said Law, the minimum producers' price of sugar crops was set up and the Government tried to maintain the minimum producers' price through purchase operations in sugar manufactured from domestic sugar beets or cane. However, the price of domestic sugar showed a considerable fluctuation reflecting that of overseas sugar price, and the purpose of the measure had not been fully achieved. Sugar Price Stabilization Law was enacted in June 1965, for the purpose of stabilizing the price of domestic sugar through the stabilization of that of imported sugar, and promoting the sound development of industries connected with the production of domestic sugar, thereby safeguarding earnings of the farmers of sugar

crops and contributing to the stabilization of national living conditions. While the Government has maintained the policy of non-restricted imports of sugar, it adopts, under the said Law, necessary measures to prevent a violent fluctuation of the sugar price and to support the price of domestic sugar.

Consequently the purchase of domestic sugar by the Government under the Law Concerning Special Measures for Sugar Resources was abolished.

(b) Incidence

To stabilize the price of imported sugar in Japan, the Government sets up the price range of sugar, taking into consideration the fluctuation of the international sugar price. If the price of imported sugar falls below the floor price, the Sugar Price Stabilization Corporation, established under the said Law, transfers the difference between those two prices to the Sugar Price Stabilization Fund; and if the price of imported sugar exceeds the ceiling price, the difference between those two prices is filled by the said Fund.

For the purpose of supporting the price of domestic sugar, the Corporation carries out a purchase and resale operation by purchasing domestic sugar at the production cost in case the estimated price for domestic supply of imported sugar is lower than the production cost of the domestic sugar, and reselling it to the market at price corresponding to the reselling price of imported sugar by the Corporation. Deficits arising from this operation are to be met by two sources: first, the surplus accrued to the Corporation from its operational transactions in imported sugar, minus the amount which was transferred to the Sugar Price Stabilization Fund, and, second, the subsidies given to the Corporation by the Government.

II. Effect of measures

(a) Estimated quantitative trade of effects of the measures

Raw sugar imports were liberalized in August 1965. The large portion of the sugar consumption in Japan depends on the imported sugar. Accordingly the domestic sugar price had shown large ups and downs, affected by the fluctuation of the international sugar price. The stabilizing measures of sugar price prevent large fluctuation of sugar price and contribute to a stable growth of consumption by supplying sugar at the stable price. The purpose of the support system of domestic sugar is the maintenance of domestic production at a reasonable price level. It is not considered, therefore, that imports of sugar are adversely affected by these measures.

(b) Statistics (sugar)

	1962 f.y.	1963 f.y.	1964 f.y.
Production	425	458	660
Imports	1,240	1,222	1,410
Exports	0	1	3
Consumption	1,666	1,668	1,810

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.
3. Figures of exports are in calendar years.

SOYBEANS AND RAPESEEDI. Nature and incidence of measures(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 maintaining production. 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 changes each year.

(c) Amount of subsidy

Total subsidy in the 1964 fiscal year is as follows:

For the 1964 crop soybeans	0
For the 1964 crop rapeseed	¥255 million

(d) Estimated unit subsidy (budget)

	1964 crop soybeans (per 60 kg.)	1964 crop rapeseed (per 60 kg.)
Basic price	¥3,510	¥3,490
Standard selling price	¥3,550	¥3,105
Unit subsidy	-	¥385

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

Because 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 '000 tons)

	1962 f.y.	1963 f.y.	1964 f.y.
<u>Soybeans</u>			
Production	336	318	240
Import	1,284	1,617	1,602
Export	-	-	1
Consumption	1,601	1,879	1,889
<u>Rapeseed</u>			
Production	247	129	135
Import	49	89	66
Export	-	-	-
Consumption	311	197	200

COCOONS AND RAW SILK

I. Nature and extent of measures

(a) Background and legal basis

Given the 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 Raw-Silk Price Stabilization Law was enacted in 1951.

The Government has maintained the above-mentioned measures under the said Law to stabilize the price; and, moreover, the Government established the Japan Raw-Silk Corporation in 1966 in accordance with the Japan Raw Silk Corporation Law (Law No. 3 of 1966) to strengthen the measures to stabilize the price of cocoon and raw silk.

(b) Incidence

(i) Operational conditions under the Cocoon and Raw Silk Price Stabilization Law

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 event 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.

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 1965 silk year (June 1965-May 1966) were ¥5,500, ¥4,000 and ¥506 per kg. respectively.

(ii) Japan Raw Silk Corporation

Raw silk: On the application of the producers of raw silk who are investors in the Corporation, the Corporation purchases raw silk within the limit of 30,000 bales in every business year (June-May) at a price not lower than the floor price fixed in accordance with the Cocoon and Raw Silk Price Stabilization Law. In case the market price of raw silk rises or is likely to rise above the standard selling price of raw silk which is not to be higher than the ceiling price fixed according to the said Law, the raw silk reserved by the Corporation is released to the market through competition tenders.

Cocoon: The Corporation takes necessary measures so that the minimum guarantee may be given to the cocoons producers as regards the standard price of cocoon determined at the level appropriate in the light of the conditions of production and the supply and demand situation of cocoon.

(c) Operating capital of the system

To carry out the price stabilization programme stated above, 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.

The Japan Raw Silk Corporation, with the Government investment of ¥1,030 million and the private investment of about ¥400 million, carries out the above-mentioned measures.

II. Effect of measures

(a) Estimated quantitative trade effects of the measures

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

(b) Statistics on production, consumption, imports and exports of cocoons and raw silk

Statistics for the last three years.

(Unit: ton)

Commodity	Year (Calendar)	Production	Imports	Exports	Consumption
Cocoons	1962	109,066	--	18	115,966
	1963	110,916	16	4	105,341
	1964	111,648	22	25	112,679
Raw silk	1962	19,896	--	4,647	15,292
	1963	18,079	8	3,468	14,058
	1964	19,458	18	2,236	17,038

MILK, MILK PRODUCTS AND PORK

I. Nature and extent of measures

(a) Background and legal basis

The Livestock Products Price Stabilization Act was enacted in November 1961 with a view to encouraging a sound development of the livestock industry and the related industries and to improving the national living conditions, by stabilizing the prices of main livestock products.

Under this Act, the Government has fixed the stabilization price ranges for the designated milk products and meat. And the Livestock Industry Promotion Corporation established by the said Act, has kept the market prices of the above products stable through operations of purchasing and reselling the products, in the light of the demand and supply situations, and, through this scheme, stabilized indirectly the prices of milk for manufacturing.

And then the Government, from April 1966, is authorized to provide to producers a subsidy for milk for manufacturing, through the Livestock Industry Promotion Corporation under the Act for Temporary Measures concerning Deficiency Payment to Producers of Manufacturing Milk enacted in June 1965. At the same time, as for milk products, in lieu of the previous price range system, the Government is to undertake purchase and resale operations with a view to stabilizing the market prices of main milk products at their respective stabilization target price, which corresponds to the basic marketing price of milk for manufacturing.

The objectives of this scheme are to ensure supply of milk and milk products at their stable prices so as to meet an increase in demand for such products and to encourage a sound development of the Japanese dairy industry which only has a short history and is not well established. Full consideration is given to discourage inefficient producers of milk; when determining the guaranteed prices of milk for manufacturing.

(b) Incidence

The following products are designated for the purchase and resale operation by the Livestock Industry Promotion Corporation; pork, butter, sugared condensed whole milk, sugared condensed skimmed milk and powdered skimmed milk.

The difference between the guaranteed price and the basic marketing price of milk for manufacturing is subsidized to producers through the Livestock Industry Promotion Corporation. In this scheme, the guaranteed price is to be determined on the basis of production costs of milk in districts where production costs are relatively low and where rationalization in production is expected in the future, with a view to maintaining production in the principal districts where milk for manufacturing is produced. A limit is to be set for the quantity of milk for manufacturing for which the deficiency payments are made.

(c) Total amount of subsidy (budget)

Total amount of subsidy in the 1966 fiscal year is ¥3,000 million.

(d) Unit value of subsidy

Unit value of subsidy for milk for manufacturing in the 1966 fiscal year is as follows:

Guaranteed price	¥37.03 per kg.
Standard market price	¥31.81 per kg.
Subsidy	¥5.22 per kg.

II. Effect of measures

(a) Quantitative trade effect of the measures

The price stabilization measure only aims at keeping the prices of milk products and pork stable and has no direct relations with international trade of such products. The subsidy measure as mentioned earlier, is to make the dairy farming stable on a more rationalized basis, and to promote development of agriculture in districts which have no sectors other than the dairy farming and

to maintain production of milk for drinking in the future, by providing financial support to producers of milk for manufacturing. These measures, therefore, are considered not to exert an adverse effect upon trade expansion of milk products, when considering the fact that in Japan demand for milk for drinking is on the sharp increase and that the ratio of milk for drinking to the total quantity of domestically produced milk also is increasing at a fast tempo.

(b) Statistics

		1962	1963	1964
Milk (unit: thousand ton)	Production	2,437	2,761	3,020
	Import	-	-	-
	Export	-	-	-
	Consumption	2,437	2,761	3,020
Powdered skimmed milk (unit: ton)	Production	16,898	25,220	25,681
	Import	45,114	67,748	76,406
	Export	8	-	2
	Consumption	61,518	93,113	102,073
Sugared condensed whole milk (unit: ton)	Production	50,520	47,643	34,073
	Import	1	0	-
	Export	319	429	330
Sugared condensed skimmed milk (unit: ton)	Production	30,905	28,859	28,313
	Import	3	8	0
	Export*			
Pork (unit: ton)	Production	324,188	279,354	298,057
	Import	2	6,512	4,015
	Export	0	0	17

Note: *Export figures of sugared condensed skimmed milk are included in those included in those of sugared condensed whole milk.

