

GENERAL AGREEMENT ON TARIFFS AND TRADE

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JAPAN

This notification is to be submitted in accordance with the procedures of document L/5102 in order to contribute to the appropriate operation of the provisions of Article XVI of GATT, although the measures described in this notification are unlikely to fall within the purview of subsidies referred to in Article XVI.

1. MEASURES FOR RICE, WHEAT AND BARLEY

I. Nature and extent of measures

(a) Background and legal basis

Under the Food Control Law (1942 Law No.4.), the Government is carrying out the supply and demand operation as well as price adjustment of rice, wheat and barley in order to ensure food for the population and to stabilize the national economy. From the same standpoint, the Government likewise exercises integral control on the exportation and importation of these products.

(b) Incidence

As for rice, the Government purchases this product from producers at the Government purchasing prices (producer prices) which are determined on the basis of the production cost and the income guarantee to ensure the reproduction of the product. The Government selling prices at which rice is sold to the wholesalers are determined so as to stabilize the consumers' household economy, taking into account factors such as the cost of household and commodity prices in general.

With respect to wheat and barley, the Government also purchases these commodities. The Government purchasing prices are determined to ensure reproduction of these products at a level not less than an amount which is obtained by multiplying the average purchasing prices of wheat and barley produced in 1950 and 1951

by the agricultural parity index (the comprehensive index of prices of materials and services which producers pay), taking account of recent production situations and other economic factors. The Government selling prices of wheat and barley to mills are determined, with due regard being paid to the cost of imported and domestic wheat and barley, the consumer's prices of rice as well as other economic factors.

(c) Amount of deficit

The deficit in the control account of rice, wheat and barley under the Food Control Special Account for the fiscal year 1980 amounted to ¥571,700 million (excluding the deficit incurred from the surplus disposal of rice).

II. Effect of measures

(a) Estimated quantitative trade effects of the measures

As for rice, it is one of the basic policies of the said Law to ensure the balanced supply and demand situations of this commodity in the domestic market. However, as supply has been exceeding demand in recent years due to the decrease of domestic consumption of rice and improvement of productivity, production adjustment is now under way in order to bring production in line with demand.

With respect to wheat and barley, despite the fact that domestic consumption is on the increase the amount of import is generally stable due to increase of demand for these products.

(b) Statistics^{a/}

(Unit: '000 tons)

| | Fiscal year | Production | Consumption | Import | Export |
|--------|-------------|------------|-------------|--------|-----------------|
| Rice | 1978 | 12,589 | 11,364 | 45 | 1 |
| | 1979 | 11,958 | 11,218 | 20 | 868 |
| | 1980 | 9,751 | 11,209 | 27 | 754 |
| Wheat | 1978 | 367 | 5,861 | 5,679 | 2 ^{b/} |
| | 1979 | 541 | 6,020 | 5,544 | 4 ^{b/} |
| | 1980 | 583 | 6,054 | 5,564 | 5 ^{b/} |
| Barley | 1978 | 326 | 2,380 | 2,052 | - |
| | 1979 | 407 | 2,462 | 2,132 | - |
| | 1980 | 385 | 2,558 | 2,087 | - |

^{a/} The figures are derived from "The Table of the Demand and Supply of Food".

^{b/} These figures show wheat equivalent of flour.

2. MEASURES FOR SWEET AND WHITE POTATOES

I. Nature and extent of measures

(a) Background and legal basis

In order to prevent the drops in price 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) The raw material standard price for sweet and white potatoes is determined in respect of each product each crop year on the basis of the agricultural parity index, due consideration being paid to such factors as production cost, commodity prices, supply and demand situations and other economic conditions. The Government purchasing price of starch is determined on the basis of the standard purchasing price which is obtained by adding transportation charges, processing costs, etc. to the above standard prices of sweet and white potatoes.

(ii) Efforts are made by the Government to stabilize the price of starch at an appropriate level by letting the producers' associations carry out the marketing adjustment on their own initiative. However, when for example the over-supply of starch is such that it is difficult for these associations to stabilize the price on their own, the Government makes purchases of necessary quantities at the Government purchasing price.

(iii) Starch thus purchased by the Government is sold in the market. It is provided for, however, that the selling price should not be lower than the standard purchasing price and the prevailing market price.

(c) Amount of deficit

It is foreseen that there will be no financial payment for the fiscal 1981.

II. Effect of measures

(a) Estimated quantitative trade effect of the measures

The measures are to avoid the price fluctuations and have no effect on international trade.

(b) Statistics on Starch

(Unit: '000 tons)

| | 1978 | 1979 | 1980 |
|-------------|------------------------------|------------------------------|------------------------------|
| Production | 333 | 357 | 369 |
| | (Sweet 109 { White 224 | (Sweet 101 { White 256 | (Sweet 102 { White 267 |
| Import | 121 | 103 | 100 |
| Export | 1 | 1 | 1 |
| Consumption | 333 | 382 | 414 |
| | (Sweet 109 { White 224 | (Sweet 101 { White 281 | (Sweet 102 { White 312 |

- Notes:
1. Years represent the potato crop year from October to September in the following year.
 2. However, the figures for import and export are those in calendar year.

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

The Law Concerning Special Measures for Sugar Resources was enacted in 1964, for the purpose of raising the production of sugar crops, in order to improve agricultural management, to stabilize farmers' income and to maintain the domestic supply of sugar. In accordance with the said Law, the Government tried to maintain the minimum producers' price through the purchase operations of sugar manufactured from domestic sugar beets or cane by setting up the minimum producers' price of sugar. However, the price of domestic sugar showed considerable fluctuation reflecting that of overseas sugar prices, and the purpose of the measures was not fully achieved. It followed that the 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 thereby safeguarding farmers' income of sugar crops and contributing to stabilize national living conditions. Furthermore, under the said Law, the Government, having maintained the policy of non-restricted importation of sugar, adopted necessary measures to prevent a violent fluctuation of the domestic sugar price as well as to support the price of domestic sugar.

(b) Incidence

In order to stabilize the price of imported sugar, the Government sets up the price range of sugar, taking into consideration the fluctuation of the sugar price in international market. If the price of imported sugar falls below the floor price, the Raw Silk and Sugar Price Stabilization Corporation (note: replaced the former Sugar Price Stabilization Corporation and the former Japan Raw Silk Corporation in October, 1981) 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 up by the said Fund.

For the purpose of supporting the price of domestic sugar, the Corporation carries out purchase and resale operations by purchasing domestic sugar at the level of production cost in case the estimated marketing price of imported sugar is lower than the production cost of the domestic sugar, and reselling it into the market at a price corresponding to the reselling price of imported sugar fixed 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 of imported sugar, minus the amount which was transferred to the Sugar Prices Stabilization Fund, and, second, the subsidies given to the Corporation by the Government.

(c) Amount of subsidy

In order to support the price of the domestically produced sugar, ¥31,400 million was financed as a subsidy to the Sugar Price Stabilization Corporation in Fiscal Year 1981.

II. Effect of measures

(a) Estimated quantitative trade effect of the measures

Raw sugar imports were liberalized in August 1963. 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 sound growth of consumption by supplying sugar at a stable price. The purpose of the support system of domestic sugar price is to maintain domestic production at a reasonable price level. It is not considered, therefore, that imports of sugar are adversely affected by these measures.

(b) Statistics

(Unit: '000 tons)

| | 1978 | 1979 | 1980 |
|-------------|-------|-------|-------|
| Production | 645 | 725 | 793 |
| Import | 2,352 | 2,684 | 2,315 |
| Consumption | 2,887 | 3,200 | 2,982 |

Notes: 1. Calendar year.

2. Figures are crude sugar basis (of a polarization 96°).

4. MEASURES FOR SOYABEAN AND RAPESEED

I. Nature and extent of measures

(a) Background and legal basis

In order to cope with the influence of the import liberalization of soyabeans on the prices of domestic soyabeans and rapeseed, the Soyabeans and Rapeseed Subsidy Temporary Measures Law was enacted in 1961 with the purpose of contributing to maintain the soyabeans and rapeseed production and to stabilize farmers' income through the deficiency payment system.

(b) Incidence

The amount of the subsidy per unit which is applicable nationwide, is calculated by subtracting the Standard Selling Price from the Basic Price, and the subsidy thus calculated is granted to the producers in proportion to the amount of the sale through the producers' associations to whom sale was entrusted.

The Basic Price is determined by the Minister for Agriculture, Forestry and Fisheries each year as the standard price for the net income of producers by consulting the producers' associations, and taking account of the parity prices, production situations and other economic situations with a view to ensuring reproduction.

The Standard Selling Price is determined by the Minister for each year's crop as producers' selling price based on the amount obtained by subtracting the marketing costs from the standard selling price of producers' associations:

(c) Amount of subsidy

In fiscal 1980, ¥12,823 million was paid for producers of soyabeans and ¥444 million for those of rapeseed. The amount of subsidy per unit (60 kg) was ¥11,581 for soyabeans and ¥9,744 for rapeseed.

II. Effect of the measures

(a) Estimated quantitative trade effect of the measures

In 1961, when the import of soyabeans was liberalized, its production was 387 thousand tons and the production of rapeseed was 274 thousand tons, while the imports of these commodities were 1,158 thousand tons and 20 thousand tons respectively. In spite of the increasing tendency of demand for these products since then, their domestic production continued to fall from year to year. In 1980 the production of soyabean fell to 174 thousand tons and that of rapeseed 4 thousand tons, while the imports recorded were 4,401 thousand tons for soyabeans and 1,059 thousand tons for rapeseed. Under those circumstances, it is not considered that these measures have an adverse effect on imports of these commodities.

(b) Statistics

(Unit: '000 tons)

| Calendar year | 1978 | 1979 | 1980 |
|------------------|-------|-------|-------|
| Soyabeans | | | |
| Production | 190 | 192 | 174 |
| Consumption | 4,090 | 4,253 | 4,324 |
| Import | 4,260 | 4,132 | 4,401 |
| Rapeseed | | | |
| Production | 5 | 5 | 4 |
| Consumption | 843 | 1,078 | 1,010 |
| Import | 823 | 1,122 | 1,059 |

5. MEASURES FOR COCOON AND RAW SILK

I. Nature and extent of measures

(a) Background and legal basis

The demand for raw silk fluctuates considerably because of domestic and international business conditions and changes in fashion, etc. while the production is not flexible enough to cope with these changes. Therefore, the price of cocoon and raw silk is vulnerable to violent fluctuations, which bring about instability to the management of the cocoon and raw silk industry.

Under the Cocoon and Raw Silk Price Stabilization Law, the Raw Silk and Sugar Price Stabilization Corporation (note: replaced the former Japan Raw Silk Corporation and the former Sugar Price Stabilization Corporation in October, 1981. Hereinafter referred to as "the Corporation") conducts operations to prevent such violent fluctuations of the raw silk price as may go beyond a pre-determined price range and to stabilize its price at an appropriate level within this price range with a view to contributing to stabilization of management of cocoon and raw silk industry.

(b) Incidence

(i) Measures to prevent the abnormal price fluctuation of cocoon and raw silk

The Corporation purchases raw silk, upon the application of producers, etc., at the minimum price within budgetary limits, and sells it through the public tender or in other ways when the market price of raw silk rises or is likely to rise above the maximum price.

With regard to cocoon, the Corporation provides a subsidy for storage charges to the Federations of Agricultural Cooperatives (hereinafter referred to as "the Federations") designated by the Minister for Agriculture, Forestry and Fisheries in cases where the market price of cocoon falls below the minimum price in spite of the market intervention by the Corporation and the Federations hold the stock of cocoon. Furthermore, if the Federations continue to hold stock even after the end of the business year, the Corporation is authorized to purchase such stored cocoon.

The price range with the maximum and minimum prices for raw silk are determined by the Minister each year on the basis of production costs, giving additional consideration to commodity prices and other economic factors.

(ii) Measures to stabilize the prices of cocoon and raw silk

Raw silk: If necessary, on the application of producers of raw silk who are investors in the Corporation, the Corporation purchases raw silk within the scope of a limited quantity in every business year at the purchase price. In case the market price of raw silk rises or is likely to rise above the standard sales price, the raw silk stored by the Corporation is released to the market through public tender or in other ways.

Within the range of the maximum and minimum prices, the purchase price and standard sale price of raw silk are determined by the Corporation each year on the basis of the standard price determined by the Minister for Agriculture, Forestry and Fisheries, taking account of production, supply and demand, and other economic conditions with a view to stabilizing that price of raw silk at an appropriate level.

Cocoon: The Corporation may be entrusted with the purchase and sale services of the dried cocoon within the scope of a limited quantity, in case the transaction of cocoon is likely to be carried out at a price less than the standard price of cocoon.

The standard price of cocoon are set by the Corporation, taking account of standard price of raw silk with a view to realizing the price of cocoon at a level appropriate in the light of the conditions of production, supply and demand situation of cocoon and other economic factors. The standard price is fixed at a level not lower than the minimum price.

(c) Amount of subsidy

There was no subsidy paid in connection with purchase and sale operations of these commodities.

II. Effect of measures

(a) Estimated quantitative trade effects of the measures

As the measures stated under I(b) above aim to stabilize the prices of cocoon and raw silk, they can not be considered to have effects on trade.

(b) Statistics

| (Unit: ton) | | | | | |
|-------------|---------------|------------|-----------------------|---------|--------------------------------|
| Commodity | Calendar year | Production | Imports ^{a/} | Exports | Con- sumption ^{b/} |
| Cocoon | 1978 | 77,589 | 9,371 | 0 | 86,229 |
| | 1979 | 81,264 | 7,431 | 0 | 85,404 |
| | 1980 | 73,061 | 2,447 | 0 | 86,560 |
| Raw silk | 1978 | 15,958 | 5,030 | 0 | 17,604 |
| | 1979 | 15,950 | 3,628 | 0 | 21,153 |
| | 1980 | 16,155 | 2,976 | 0 | 17,983 |

Note: a/ Raw cocoon equivalent.

b/ Shows the figures transferred to the end-users of raw silk.

6. MEASURES FOR MILK, MILK PRODUCTS

I. Nature and extent of measures

(a) Background and legal basis

Since April 1966, the Government has been authorized to provide producers with 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, the Corporation undertakes purchase and resale operations for milk products with a view to stabilizing the market prices of main milk products at the level of the stabilization target price which the Government sets.

The objectives of this scheme are to ensure supply of milk and milk products at stable prices and to encourage a sound development of the Japanese dairy industry which only has a short history and is not well

established. Under this scheme, full consideration is given to restraining milk production by inefficient producers and to supply and demand situations in determining the guaranteed prices of milk for manufacturing.

(b) Incidence

The following products are subject to purchase and sale operations by the Livestock Industry Promotion Corporation; 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 determined on the basis of production costs of milk in districts where production costs are relatively low and rationalization in production is expected in the future, with a view to ensuring reproduction in the principal districts where milk for manufacturing is produced. A limit is set for the quantity of milk for manufacturing for which the subsidy payments are made.

(c) Amount of subsidy

¥47,420 million was provided to the Livestock Industry Promotion Corporation as a subsidy to producers in fiscal 1980.

II. Effect of measures

(a) Quantitative trade effect of the measures

The price stabilization measure only aims at keeping the prices of milk products stable. The subsidy measure, as mentioned earlier, is to make dairy farming stable on a more rationalized basis, and to promote development of agriculture in districts which have no dependable sectors other than the dairy farming, thereby maintaining the production of milk for drinking in the future. It is not, therefore, considered that this measure has an effect on international trade.

(b) Statistics

| | | (Unit: '000 tons) | | |
|-----------------------------------|------------------|-------------------|-------|-------|
| | | 1978 | 1979 | 1980 |
| Milk | Production | 6,117 | 6,463 | 6,502 |
| | Import | - | - | - |
| | Export | - | - | - |
| Butter | Production | 62 | 68 | 64 |
| | Import | 2 | 2 | 2 |
| | Export | 0 | 0 | 0 |
| Powdered skimmed milk | Production | 120 | 135 | 127 |
| | Import | 140 | 125 | 102 |
| | Export | 0 | 0 | 0 |
| Sugared condensed whole milk | Production | 49 | 48 | 50 |
| | Import | 0 | 0 | 0 |
| | Export <u>1/</u> | 0 | 0 | 0 |
| Sugared condensed skimmed milk | Production | 20 | 21 | 24 |
| | Import | - | - | - |

1/ Includes sugared condensed skimmed milk.

7. MEASURES FOR BOVINE MEAT AND PORK

I. Nature and extent of measures

(a) Background and legal basis

Under the Livestock Products Price Stabilization Act enacted in 1961, the Livestock Industry Promotion Corporation conducts purchase and sale operations to prevent abnormal fluctuations of market prices which go beyond a predetermined range. Such schemes were established for pork and bovine meat in 1962 and 1975 respectively.

The objectives of this scheme are to ensure the sound growth of the Japanese livestock industry, which has but a short history and is not well established, and to ensure the stable supply and prices of livestock products whose weight is becoming increasingly great in our diet.

(b) Incidence

Carcass bovine meat and carcass pork are subject to the purchase and sale operations of the Corporation.

When wholesale prices of domestic bovine meat and domestic pork go beyond the aforesaid price range due to the imbalance of demand and supply,

- (i) in case wholesale prices exceed the maximum price, the Corporation increases sales of imported and domestic bovine meat and domestic pork which it keeps and tariff rates for imported pork are reduced.
- (ii) in case wholesale prices fall below the minimum price, the Corporation takes measures to stabilize demand and supply and price of bovine meat and pork by withdrawing domestic bovine meat and domestic pork from the markets (The Corporation purchases meat or stores it for adjustment. In addition to this, producers voluntarily take measures for withdrawal of domestic pork from the markets in recent years).

In connection with these price stabilization measures, the Livestock Industry Promotion Corporation conducts the purchase and sale operations of most of imported bovine meat and thereby stabilizing the demand and supply as well as the price of bovine meat.

(c) Amount of deficit

Management costs of this price stabilization system are borne by benefits derived from the operation of the funds of the Corporation. The Amount of the fund to the Corporation in the fiscal 1981 year is ¥98 million.

II. Effect of measures(a) Quantitative trade effect of measures

The sole aim of the measures in I. (b) mentioned above is to stabilize prices of bovine meat and pork. These measures are not considered to have any effect on international trade.

(b) Statistics

(Unit: '000 ton)

| | | Bovine meat | Pork |
|------|-------------|-------------|-------|
| 1978 | Production | 403 | 1,284 |
| | Export | 0 | 0 |
| | Import | 144 | 148 |
| | Consumption | 547 | 1,432 |
| 1979 | Production | 402 | 1,430 |
| | Export | 0 | 0 |
| | Import | 188 | 189 |
| | Consumption | 590 | 1,619 |
| 1980 | Production | 418 | 1,476 |
| | Export | 0 | 0 |
| | Import | 177 | 155 |
| | Consumption | 595 | 1,630 |

Note: On carcass basis