

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

L/5332

18 June 1982

Limited Distribution

Original: English

ADDITIONAL MEASURES TO OPEN UP THE JAPANESE MARKET

The following communication, dated 28 May 1982, has been transmitted by the Permanent Representative of Japan to the Director-General.

I should like to inform you that today the Government of Japan decided on additional comprehensive measures to open up the Japanese market which include elimination of tariff rates on 96 items and reduction of tariff rates on 119 items, relaxation of import restrictions, further improvement of testing and other procedures and improvement of the distribution system and business practices.

They also cover the measures concerning trade in services, high technology and high technology products.

Japan had already taken a series of liberalization measures which rendered the Japanese market no less open than those of Japan's trading partners. The Government of Japan carried the process one step further with a view to contributing to the maintenance and strengthening of the free trading system.

Annexed hereto are:

- a statement, delivered on 28 May 1982, of the Prime Minister of Japan on the opening of the Japanese market;
- a memorandum on Additional Measures to Open up the Japanese Market with comments thereon;
- lists of items on which tariffs are (1) eliminated or (2) reduced.

Statement of the Prime Minister on
the Opening of the Japanese Market

28 May 1982

The extreme stagnation of the world economy has given rise to mounting protectionist pressures, and the free trading system, which has sustained the post-war economic development of the free world, is today about to be in jeopardy. Japan, whose economy represents ten per cent of the world economy, is asked to make international contribution commensurate with its own position. We had taken a series of liberalization measures which rendered the Japanese market no less open than those of the other western countries in terms of legal institution. We carried the process one step further and, from the viewpoint of making international contribution to the maintenance of the free trading system, took such steps as unilateral reduction of tariffs and establishment of the "Office of Trade Ombudsman". Further, we have today decided on a comprehensive set of measures to open our market further.

In order that these legal and institutional measures bring about concrete results, what is necessary is the attitude to welcome foreign manufactured goods or foreign investment in actual administrative management and economic activities. Japan already abolished the "Buy Japanese Policy" about ten years ago. Since then, Japan has been making a variety of efforts, such as the dispatching of import promotion missions, towards this end.

It is a fact that, even today, perceptions abroad are still not without misunderstandings or mistaken images; it is argued that Japan still uses administrative guidance to protect its domestic products or that the Japanese consider export virtue and import vice.

I would like to take this opportunity to ask those who are engaged in public administration as well as the people in private firms who are bearing the brunt of everyday economic activities to be even more clear and forthcoming in taking the attitude of extending a welcoming hand to foreign manufactured goods and investments and not discriminating against them.

In order to expand import of manufactured products to the Japanese market, I would like to ask the people concerned to give their maximum assistance to foreign firms in their efforts to develop products which will meet the market condition and choose the distribution system in Japan, etc.

I firmly believe that in today's world economic situation, it is vital for Japan, on the basis of its position in the international community, to make contributions worthy of its ability towards the revitalization of the world economy and expansion of the world trade.

I appeal to the Japanese people for their understanding and co-operation.

Additional Measures To Open Up
The Japanese Market

In view of the present world economic situation, Japan, aspiring to contribute positively to maintain and strengthen free trade system and to develop world economy, decided to implement on December 16, 1981 Five External Economic Measures at the Ministerial Conference for Economic Measures, and further on January 30 decided to put into effect specific steps to improve import testing procedures. It is in this context that the Ministries and Agencies concerned in close cooperation with the Special Committee for International Economic Measures of the Liberal Democratic Party have studied and decided today, the following measures for the further opening of the Japanese market.

1. Improvement of Import Testing Procedures, etc:

(1) In the area of import testing procedures, etc., the Government of Japan (hereinafter referred to as GOJ or the Government) established the Office of Trade Ombudsman (OTO) Headquarters for Promotion of Settlement of Grievances Related to the Openness of the Japanese market, and it is in active operation. The OTO has already been instrumental in obtaining improvement in 86 cases. The Government will explore ways to make yet more positive and active use of the OTO in cooperation with various types of foreign private organizations concerned in Japan. (1.a)

Attention was drawn in such fora as the Japan - U.S. Trade Sub-Committee to specific items, such as wild rice and metal bats. The Government will soon put into effect measures for improvement with respect to those items.

(Notes)

(1.a)

(1) At its meeting on January 30th, 1982, the Ministerial Conference for Economic Measures established the Office of Trade Ombudsman or Headquarters for Promotion of Settlement of Grievances Related to the Openness of the Japanese Market and specified the channels at the relevant Ministries and Agencies for receiving such grievances and taking the necessary institutional steps. Through these mechanisms, positive action is being taken. GOJ will continue to make positive use of these mechanisms through exchange of views with the foreign chambers of commerce in Japan.

(2) With regard to wild rice, GOJ will take measures to allow its import. As for metal bats, GOJ instructed its guidelines and has the Japan Rubberized Baseball League take measures in line with GOJ guidelines to make necessary improvements.

(2) Customs clearance procedures, ect., have already been improved by introducing such measures as the post-permit examination system and the comprehensive examination system. In addition to these improvements, pre-customs clearance import procedures for pharmaceuticals and food stuffs have been simplified and expedited. (1,b)

(1.b)

(1) The Post-Permit Examination System - Under this system, imported cargo may be released, in principle, from customs after the completion of a check of requirements under "other laws", the examination for official duty assessment is deferred until the cargo is cleared.

(2) The Comprehensive Examination System - Under this system, products routinely imported may be relieved from customs examination and testing. For this purpose, importers may apply for "simplified examination" at the time of submission of the first import declaration.

A comprehensive check of applicable tariff item numbers will then be made, as well as a judgement on whether a check or requirements under "other laws" are necessary.

(3) Improvements of import procedures prior to customs clearance are as follows:

i. For specified pharmaceuticals, toxic substances, dangerous substances, small quantities of pharmaceuticals for external use as samples, cosmetics, and medical equipment, submission of notification of import to the Ministry of Health and Welfare is no longer required. The system has been amended to allow import after a customs check only.

ii. On fresh foodstuffs, provisional acceptance will be allowed before the cargo's arrival and efforts will be made to accelerate procedures.

(3) In order to ensure transparency in the formulation of standards, the Government will implement measures to allow foreign entities and individuals concerned to participate in the formulation process by, for example, presenting their views. (1,c)

(1.c)

(1) The Standard Code of the GATT stipulates that a draft of standards must be published in advance of formulation of standards and a chance must be offered to interested foreigners for comments when standards applied to imported goods are formulated. In addition to this, the GOJ will further take measures, *inter alia*, to allow interested foreigners to participate in a standard drafting committee, upon request by such foreigners and provided that such foreigners are qualified by their knowledge and experience, etc.

Where such direct participation by foreigners is not deemed appropriate, the GOJ will take other measures to take fully into account the opinions of foreigners concerned by requesting them to present their views orally or in writing.

(2) As concrete examples of such participating in this process, EC Representatives are already participating in the standards drafting committee established under the Electrical Appliance and Material Control Law. Recently, US participation in the standards drafting committees established under the Electrical Appliance and Material Control Law and the Consumer Product Safety Law has been allowed.

2. Reduction of Tariff Rates:

In fiscal 1982 the GOJ has implemented an across-the-board accelerated reduction of tariff rates, two years ahead of the schedule established under the Tokyo Round Agreements. It has also decided to eliminate or reduce in fiscal 1983 the tariff rates of items listed in the attached paper. Procedural steps will be taken as necessary in this regard.

3. Relaxation of Import Restrictions:

Concerning the remaining import-restricted items, the Government will, for the time being, improve market access for foreign products by such measures as increasing the amounts of import quotas or setting the minimum amount of import quotas for such items as herring, prepared and preserved pork, hi-test molasses and canned pineapples, while consolidating and reorienting related domestic systems.

4. Increase of Imports

(1) With regard to imported tobacco products, all tobacco retailers will be allowed to handle imported products. This measure will be implemented by stages by FY 1985. For the time being, the number of tobacco retailers handling imported tobacco products will be increased from 20,000 to the target of 70,000 in FY 1982 and 1983. Ceiling on advertising expenditures will be increased to meet market situations. Details for the implementation thereof will be discussed between foreign manufacturers and Japanese importers.

Further, the GOJ will study to accelerate the establishment of the study group (previously agreed between GOJ and USA to be set up towards the end of FY 1982) in order to assess and study the market situation of manufactured tobacco products in Japan and related problems. (4.a)

(4. a)

Improvement of the handling of imported tobacco:

The GOJ has taken measures since April, 1982 in accordance with the package resolution reached between by the Japanese and U.S. Governments in November, 1980 to improve substantially the position of imported manufactured tobacco products in Japan. Further, the GOJ will take the following measures on the number of retailers handling imported products, advertisement expenditures, etc.

(1) All tobacco retailers will be allowed to handle imported products. This measure will be implemented by stages until FY 1985. For the time being, the number of tobacco retailers handling imported tobacco products will be increased from 20,000 to the target of 70,000 in FY 1982 and 1983.

(2) Ceiling on advertising expenditures on television, radio, newspapers and magazines will be increased to meet market situations.

(3) The above-mentioned measures will be implemented through consultations, between domestic and foreign companies on technicalities.

(4) The GOJ will study to accelerate the establishment of the study group (previously agreed between GOJ and USA to be set up towards the end of FY 1982) in order to assess and study the market situation of manufactured tobacco products in Japan and related problems.

(2) Concerning the foreign currency lending program for emergency imports put into effect last January, allocations for automobile and other imports have already been made. The GOJ will continue to promote utilization of this program. (4.b)

(3) As part of Japan's efforts to diversify its sources of energy, the GOJ will foster closer contacts at the governmental level to supplement private-sector efforts relating to imports of crude oil from Alaska and steaming coal from the western part of the United States.

(4.b)

(1) In order to facilitate the importation of important goods with effective impact on settling trade friction, foreign currency denominated loans for emergency import have been granted since January 25 of this year. The total amount of loan agreements as of May 21, reached 143 million dollars, comprising 20 cases, including automobiles from West Germany and synthetic rubber from the U.S.A.

(2) Further efforts will be made to facilitate implementation of these loans. Inquiries made so far have involved the purchase of automobiles from West Germany and Sweden, helicopters from France and Pharmaceutical products from West Germany and

(Note) Summary of the Measures:

The Export and Import Bank of Japan will make foreign currency denominated loans to importers, by borrowing the necessary money from the Special Account for Foreign Exchange Fund, instituted to promote the purchase of important goods imported in quantities greater than is customary in importation. Loans are applicable only to the part which exceeds "usual import" values.

Loans may also be obtained through designated foreign exchange banks in Japan.

The applicable interest rate shall be calculated on the basis of the prevailing interest rate for U.S. Treasury Bills (6 months).

Loan terms range from 6 months to 5 years.

5. Improvement of the Distribution System and Business

Practices:

(1) Foreign entities and individuals concerned are invited to freely present their views to the Manufactured Imports Promotion Committee of the Trade Conference. This Committee will study specific cases and take such steps as necessary. (5.a)

(5.a)

(1) The Manufactured Imports Promotion Committee of the Trade Conference, a Government council on ways to facilitate imports, began in the summer of 1981 to conduct investigations and single out specific problems for solution in import testing procedures.

(2) This Committee will investigate import problems caused by particular distribution channels and business practices. In this examination various foreign chambers of commerce and industry and embassies in Japan will be asked to give their views, and where possible, improvements will be made. The first meeting will be held in June this year.

(5.b)

Over 200 specialists in distribution, etc. will be registered as business consultants at JETRO (Japan External Trade Organization) and the Japan Foreign Trade Council (an organization of foreign trade dealers), etc. Beginning early next June, these consultants will provide their services to foreign exporters who intend to undertake new dealings or expand their dealings in the Japanese market, so that they may gain smoother access to it.

(2) The GOJ, in accordance with JETRO and the Japan Foreign Trade Council, will establish systems making use of the services of business consultants as intermediaries in individual business transactions. (5.b)

(3) Joint study of requests for improvement of market access will be conducted at the governmental level in such fora as the Japan - U.S. Trade Facilitation Committee (TFC) and consultation will be encouraged, as was done in the case of soda ash, between domestic and foreign firms. (5.c)

(5.c)

(1) Joint investigation has been conducted by Japan and U.S. in the framework of the TFC, in the period following the summer of 1980, of the access of three items of soda ash, paper and pulp, and medical equipments, following the proposal made by the U.S. (ever since its establishment in 1978, the TFC's achievements include the solution of 28 individual issues in the field of the procedures for import inspections or liberalization of services.)

(2) As a result of the TFC, both parties confirmed that there were no unfair import restrictive measures in Japan for the soda ash, and American soda ash producers resolved the problem, as commercial matters, by making efforts to sell soda ash to the Japanese ash. Later, the U.S. mission comprising the major soda ash producers visited Japan from 11 to 14 May 1982. They started commercial talks with Japanese end users, makers, and storage facilities people.

(3) For the purpose of revising the access to the Japanese market of each of the items, a practical approach will be taken in the future as well in respect to each of the items in the industrial sectors, making use of such fora as the TFC.

(4) It has been decided to intensely monitor distribution of imported goods. If practices that restrict competition should be found, such practices will be countered, where applicable by fair and strict application of the Anti-Trust Law.

6. Liberalization of Trade in Services:

- (1) The Japanese Government will contribute constructively to deliberations on the formulation of international rules for trade in services in the GATT.
- (2) Foreign entities presently engaging in banking, insurance and securities business in Japan are being given national treatment. The GOJ will firmly maintain this policy. (6.a)

(6.a)

- (1) In Japan, foreign financial institutions are accorded national treatment, and in some respects--as in the determination of limits on CD (certificate of deposit) issuance, the postponement of application of large loan restrictions -- their treatment is more favourable than that accorded to their Japanese counterparts.
- (2) Foreign financial institutions have been allowed to establish their branches in Japan in a flexible manner, and the number of branches of foreign banks, etc. in Japan has increased rapidly in recent years.

(6.b)

The Federation of Bankers' Associations of Japan, the Life Insurance Association of Japan, the Marine and Fire Association of Japan will be asked to create information service windows to foster understanding at a non-official level of the actual situation in Japan. In response to inquiries from foreign banks, etc. these facilities will provide information on institutions and the actual situation, etc. needed to establish branches and business operations in Japan.

- (3) In the banking, insurance and securities fields the Government requests the relevant business associations to open "information windows" to provide information, etc., concerning market entry and operation in Japan. (6.b)

(4) The Government welcomes direct investment in Japan by foreign entities and individuals. The GOJ will also pay due consideration to further facilitating foreign borrowers' financing in the Japanese financial market. (6.c)

(6.c)

Japan liberalized foreign direct investment in almost all sectors by 1976. Through amendment of the Foreign Exchange and Foreign Trade Control Law in December, 1981, the approval system was changed to a prior notification system so that existing firms may be bought up regardless of the will of the firm concerned. Normally, industries necessary for defense and the maintenance of social order, as provided in Article 3 of the OECD Code of Liberalization of Capital Movements, plus the four exceptional industries on which Japan has researched its position regarding this Code (agriculture and fisheries, mining, oil, and leather and leather products) would be the only cases where there is a possibility that, after prior notification, the authorities may recommend termination of investment.

(5) The Government will implement measures to relax restrictions on the use of telecommunication network for data processing, while maintaining national treatment. (6.d)

(6.d)

(1) Regarding the use of public communication lines by private companies for data processing, foreign capital and foreign personnel have not been restricted in the past and we have no intention of restricting them in the future.

(2) Through amendment of the Public Telecommunication Law now underway in the Diet, restrictions will be eased on the joint use and third party use of communication lines whereby their unrestricted use in data processing will be promoted.

(6) The Government will urge the expediting of negotiations between the Japan Federation of Bar Association and the American Bar Association (ABA) in order to find an appropriate solution at an early date for activities of foreign lawyers in Japan, with a view to seeking legal services appropriate in both Japan and the United States. (6.e)

(6.e)

(1) In the United States, the bar system is established separately by each State. The activity of foreign lawyers is permitted only in one or two States including New York State, and even these are highly restrictive. This has been pointed out as objectionable from the point of view of reciprocity.

(2) The bar system in Japan gives autonomy to the Japan Federation of Bar Associations, and it is essential that the Bar Associations of the two countries consult with each other. On May 24, the American Bar Association has sent a cable to the Japan Federation of Bar Associations to the effect that they wish to hold a meeting on June 21.

7. High Technology:

(1) The GOJ is committed to free trade in principles in trade in high technology and high technology products. It will actively promote research and development suitable for international cooperation and maintain a non-discriminatory policy with regard to participation by partially or wholly foreign-owned Japanese firms with substantial research capabilities in projects supported by the Government.

(2) Japan-U.S. working group on high technology will be established to foster high technology industries and to expand trade in high technology products between these two countries. (7.a)

(7.a)

The first meeting is scheduled to be held as early as possible towards the end of this June.

(3) In the area of advanced science and technology, the GOJ will actively study the possibility of joint research and joint development of technology between Japan and the U.S. and Japan and Europe, as well as in other multilateral contexts.

8. Others:

(1) Government Procurement

The procurement of goods by Government Agencies and Organizations will continue to be made in accordance with the spirit of the Government Procurement Code.

(2) Food Aid

Food aid using foreign products will be actively pursued within the framework of the Kennedy Round food aid program, etc.

(3) Industrial Cooperation

In order to revitalize the world economy, such forms of industrial cooperation as mutual investment, technological cooperation, and joint projects in third markets will be actively encouraged.

(4) Exports

In line with the basic aim of balanced expansion of trade, efforts will continue to be made to avoid concentration of exports in specific product categories.

(5) Economic Cooperation

Efforts will be made to achieve the Government's medium-term target for official development assistance.

(6) Promotion of Activities for Exchange with Other Countries

In order to promote mutual understanding between Japan and other countries and to facilitate their access to the Japanese market, the cooperation of the public and private sectors will be actively sought in dispatching economic missions, holding seminars for foreign businessmen interested in exporting to or investing in Japan, and promoting mutual exchanges.

1. Items, to eliminate tariff

No.	Description
25.04-1	natural graphite
29.01-2(1)	butadiene
71.02-2(2)ex	cut diamonds
75.04-2	tubes of alloyed nickel, etc
84.01-lex	boilers (with a generating capacity of not less than 1,300 metric tons per an hour)
84.01-lex	boilers (other)
84.01-2	parts of boilers
84.02ex	condensers for vapour engines and power units
84.02ex	auxiliary plant for use with boiler such as economisers
84.05-1(1)ex	steam turbines (with a rating of less than 25,000 kw)
84.05-1(1)ex	steam turbines (with a rating of not less than 25,000 kw but less than 400,000 kw)
84.05-1(1)ex	steam turbines (other)
84.05-1(2)	parts of steam turbines
84.05-2	steam engines (other than steam turbines)
84.07-1(1)	water turbines
84.07-1(2)	parts of water turbines
84.07.2	hydraulic engines and motors (other than water turbines)
84.10-1(2)ex	oil hydraulic pumps (for motor vehicles for the transport of persons)
84.12-2ex	air conditioning machines (those of compressor type but other than window type) (of household type)
84.12-2ex	air conditioning machines (other) (of household type)
84-15-lex	refrigerators (of household type)
84.40-1(1)ex	electric washing machines (of household type)
84.40-1(2)ex	drying machines (of household type)
84.45-1(1)ex	automatic lathes, multi/spindles, etc (of a kind operated by numerical control system)
84.45-1(1)ex	profile moilling machines (of a kind operated by numerical control system)
84.45-1(1)ex	spur gear spapers (of a kind operated by numerical control system)
84.45-1(1)ex	lathes (of a kind operated by numerical control system)
84.45-1(1)ex	milling machines gear finishing machines, etc (of a kind operated by numerical control system)
84.45-1(1)ex	boring machines, planers (of a kind operated by numerical control system)