

**GENERAL AGREEMENT ON  
TARIFFS AND TRADE**

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FURTHER OPENING OF THE JAPANESE MARKET

The following communication, dated 21 October 1983, has been received from the Permanent Mission of Japan with the request that it be circulated to contracting parties.

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Comprehensive Economic Measures  
Ministerial Conference for Economic Measures  
October 21, 1983

1. Current Economic Situation in Japan

The main feature of the current economic trend in Japan is the encouraging sign of recovery with increasing exports and productions, favored by expected effects of improved terms of trade brought about by lower oil prices, upward trend of world economy, virtual completion of inventory adjustments, stable prices and so forth. However, growth of private consumption remains only moderate while plant and equipment by large companies is levelling off and those by smaller firms continues to be sluggish. The level of housing constructions, though showing slight sign of recovery, is below that of the previous year. All in all, strong recovery of domestic demand is yet to be seen, with some sectors and regions lagging in recovery. In addition, the employment situation is still a difficult one.

Externally, a considerable amount of current account surplus has been accumulating, mainly due to lower oil prices and a stagnant level of imports caused, among other things, by the appreciation of the US dollar, as well as due to the recovery of exports.

2. Basic Direction of the Economic Management

In view of the above-mentioned situation, it is imperative for Japan to ensure a 3.4 percent real growth for this fiscal year, the initial government forecast, by maintaining and strengthening recovery led by domestic demands, to take positive initiatives to maintain and strengthen the free trade system,

to form harmonized external economic relations, and to contribute to the revitalization of the world economy as was agreed at the Williamsburg Summit Meeting.

From this viewpoint, the Japanese Government will endeavor to stimulate the economy, in conformity with the principles of the administrative and budgetary reforms, through expansion of domestic demand, including utilization of the vitality of the private sector, to attain better external balance with enlarged volume of trade, and to further open Japan's market and to vigorously promote imports.

It will further endeavor to positively promote the capital inflow in view of bringing about and maintaining external value of the yen that better reflects its underlying strength, and to strengthen various forms of international cooperations such as industrial and economic cooperations.

In order to realize the above-mentioned objectives, the Japanese Government, determined to take the best feasible measures under the current situation, has decided to take the following comprehensive economic measures.

1. Economic Stimulation by Expansion of Domestic Demand

(1) Promotion of public investment and other related items

Efforts will be made to expand public investment and other related items by approximately ¥ 1,880 billion through prompt implementation of natural disaster relief works, utilization of the advance contract authorization of general public works, provision of the additional lending facilities by the Housing Loan Corporation and augmentation of works by the Japan Highway

Public Corporation, etc., as well as through the expected increment of independently financed local project.

(2) Reduction of individual income tax, and local residents' tax

In line with "the report of the Sub-Committee on Individual Income and Local Residents' Tax" of Tax Commission (an advisory body to the Government), reduction of individual income tax and local residents' tax totalling ¥ 1,200 billion (¥ 1,000 billion for the full year) will be implemented, while securing a proper source of revenue.

(3) Introduction of the vitality of the private sectors into the public works' field and other measures

(a) In order to contribute to the urban development, housing constructions and others, the efficient use will be made of such national and public lands as the land used for government employees' accommodation and the land owned by the Japan National Railways. To this end, "the headquarters to promote effective utilization of state-owned and other land" will be established, headed by the Prime Minister, and Ministers and representatives of relevant government agencies as its members.

(b) In order to promote urban-redevelopment, the following measures will be taken:

(I) In order to promote the urban redevelopment by utilizing private sector's vitality, reviews of zoning central districts of large cities where maximum use of space should be pursued will be promoted, while paying attention to the maintenance and improvement of urban environment.

Regulations will be relaxed on a case-by-case basis in accordance with the nature of such projects as the utilization of the specified block system and of the comprehensive urban housing design system.

(II) Urban redevelopment projects system will be expanded and strengthened with a view to utilizing the private sectors' vitality, which includes reviewing the requirements for urban redevelopment projects in accordance with the urban redevelopment law, with regard to the urban redevelopment projects aimed at revitalization of local cities, the proper ways and means of their implementations will be studied.

(III) To achieve the more effective use of urban spaces, the question of the space rights will be studied, while the present system will be fully utilized.

(IV) Urban-redevelopment projects will be given priority with regard to the allocation of public investment fund, and the smooth finance to such projects will be pursued.

(c) The following measures will be taken to encourage the supply of houses and land for housing construction.

(I) With a view to encouraging the housing land developments, realistic revision of zoning and appropriate implementation of development licensing will be promoted.

(II) With a view to promoting the housing land development and housing constructions, and in accordance with administrative guidance on development of housing project, excessive regulations will have to be relaxed, efforts will also be made to provide appropriate public facilities needed in connection with the housing and housing land development.

(III) To achieve a smooth supply of housing, the land-block readjustment projects will be promoted, while the utilization of a land lease system and a land trust system and so on will be pursued.

(d) As to the public works, development of a system in which the private sector will take the initiative will be encouraged. Redevelopment and other public projects constructed through the cooperation of the public and the private sectors will also be promoted effectively.

(e) Review of institutions and other related questions will be handled properly to promote the new information media by utilizing private sector initiatives. Development of information and communication systems reflecting local needs will be enhanced. The utilization of private sector financing for the development of high-technology will be prompted, along with the facilitation of development finance.

(f) In order to promote the "techno-polis" project, enterprises equipped with the high-technology will be encouraged to move into the "techno-polis" areas. Also, priority will be given to the related public works in the areas so as to encourage rural development.

(g) From the viewpoint of vitalization of local medium and small businesses, promotion of venture business and strengthening of the technologies of the local medium and small businesses will be pursued, together with the creation of new shopping areas in harmony with the local communities.

(4) Promotion of private investment

(a) The private investment in plant and equipment will continue to be promoted with emphasis particularly on the energy-related investment. Additional lending ceiling will be provided by the Development Bank of Japan.

(b) As to the investment in plant and equipment by the power industry, advanced order placements (expected to be approximately ¥ 110 billion) and so forth will be added. In addition, the industry will be guided to make efforts to increase investment including repairing expenses (expected to be approximately ¥ 510 billion) in order to achieve greater efficiency in facilities as well as to improve the reliability of power supply, including repairing expenses (approximately ¥ 620 billion in total).

(5) Promotion of the measures for medium and small size firms

(a) With respect to the government-related financial institutions for medium and small-sized firms, the reduction of the lending rate will be pursued, taking into consideration the trend of the long term interest rates. Moreover, smooth financing for medium and small-sized firms will be secured through ensuring sufficiently the lending capacities for the latter half of this year and through speedy lending procedures, etc.

(b) The scope of facilities eligible for lendings regarding the energy-saving projects by people's finance and small business finance corporations for medium and small business financial corporations will be enlarged.

(c) In order to foster venture businesses, the standard for investment by the medium and small business investment fostering companies will be relaxed.

(d) Efforts will be made to secure the attainment of the target for the government procurement from medium and small sized firms in fiscal 1983 , as well as to improve the order placement opportunities for the medium and small sized firms in public works. In addition, attention will be paid to facilitate the supply of funds needed by medium and small sized construction firms.

(e) Flexible implementation of the measures concerning bankruptcies will be pursued. Efforts will be made to secure fair sub-contract arrangements and to strengthen facilitation of such arrangements, through strict applications of the law to prevent deferral of payment of sub-contractor claims, etc.

#### (6) Flexible management of the monetary policy

The Authorities, while watching closely the internal and external economic trends as well as the international monetary situation, will pursue flexible management of the monetary policy and induce the reduction of the overall level of interest rates.

## 2. Market Opening

### (1) Reduction of tariff rates

1) As a result of the reduction or elimination of tariffs effected through the series of market-opening measures, Japan's



tariff rates today are lower than those of other countries. Further, the tariff rates on the items listed in the attachment are to be reduced or eliminated as from FY 1984 and necessary procedures will be taken to that end.

2) With the expectation that other major developed countries will voluntarily implement reduction of tariff rates, advanced implementation of the scheduled reduction of tariff rates in the Tokyo Round Agreements with respect to industrial products and excepting agricultural products will be considered with a view to its implementation as from FY 1984. The details of the reduction will be decided, taking account of the implementation of tariff reduction in other major developed countries.

3) With respect to the generalized system of preferences, the system is to be amended to effect, inter alia, an increase in the total ceiling quotas for industrial products by around 50 percent in FY 1984 over the current fiscal year. Necessary measures will be taken to that end.

(2) Relaxation of import restrictions

Necessary measures will be considered on the basis, inter alia, of the results of consultations with other countries.

(3) Steady implementation of improvement measures of standards and certification systems

With respect to the improvement of standards and certification systems, the laws amended at the previous ordinary session of the diet came into force on August 1, 1983.

Sure and proper implementation of the improvement measures based on the amendment of the laws will be ensured. At the same time follow-up measures will be taken based on

the amendment of the laws, e.g., to ensure the transparency of the standards-making processes, promoting the internationalization of the standards, etc., so that they will be implemented surely and properly.

- (4) Vigorous promotion of the activities of the headquarters for promotion of settlements of grievances related to the openness of the Japanese market (the O.T.O.)

The activities of the O.T.O. have been playing a great role in eliminating the barriers to entry into the Japanese market, including those related to import testing procedures. The activities of the ministries and agencies concerned will continue to be vigorously promoted. Moreover, yet further active steps will be taken to make full use of the O.T.O. Advisory Council, to strengthen public relations activities vis-a-vis Japanese trading partners, etc.

### 3. Import Promotion

- (1) Import promotion financed by the Export-Import Bank of Japan, etc.

(a) The Export-Import Bank of Japan will make available loans at low interest rates to finance imports of manufactured goods, and also will consolidate the system to facilitate import financing.

(b) The Government will deal with the question of possible financing which is necessary for the consolidation of the sales promotion system of imported goods, as it judges its necessity.

- (2) Smooth short-term yen loans for import finance

The Government will seek to smoothen short-term yen loans to finance imports, taking into consideration the trends of the exchange rate of yen and other relevant factors.

(3) Enhancement of the import promotion function of Japan External Trade Organisation (JETRO)

Japan External Trade Organisation will enhance its import promotion functions.

(4) Promotion of the procurement of imported goods by the Government and other related entities

In line with the spirit of the agreement on Government Procurement and from the viewpoint of continuing to ensure non-discrimination between nationals and non-nationals, even further efforts will be made to put the purport of the agreement into practice (promotion of procurement through competitive tendering procedures, facilitation of the procedures for qualification of suppliers, etc.) The attention of local governments will be drawn to the spirit of the agreement.

(5) Improvement of the distribution system for imported goods

The Government will provide foreign enterprises with information concerning the distribution system in Japan and vigorously pursue effective measures to improve the distribution system for imported goods, taking into consideration the suggestions made by the Trade Conference's Committee for Manufactured Goods Import Measures.

(6) Others

The Government will actively promote the following measures in order to consolidate the basis for import promotion

(a) Designation of an "import promotion month" during which various events for import promotion will be held

(b) Dispatch of Japanese Market Access Promotion Mission

(c) Active use of the Japan Foreign Trade Council's Import Promotion Council

(d) Active use of the Manufactured Products Import Promotion Organization

(e) Encouragement of import-promotion efforts by export-oriented enterprises

(f) Improvement in the distribution systems for imported tobacco products

4. Encouragement of the Capital Inflow

(1) Issuance of government-guaranteed overseas bonds in the U.S. Market

In order to promote the inflow of overseas capitals, issuance of government guaranteed foreign bonds in the U.S. market will be positively considered, while considering costs in raising funds.

- (2) Arrangement of the legal framework for instruments such as public bonds denominated in foreign currencies, etc.

Preparation for the necessary steps for this purpose, including the legislative amendments to make possible the issuance of public bonds in foreign markets, etc., will be initiated.

5. Promotion of International Transactions by Improvement in the Conditions of Financial and Capital Markets, etc.

- (1) Review of the Underlined Real Demand Rule

The Real Demand Rule in forward exchange options will be subject to fundamental review.

- (2) Study toward establishment of the market for trade-related bankers' acceptance denominated in the yen.

Establishment of the market for trade-related bankers' acceptances denominated in the yen will be studied from the medium and long term viewpoint.

- (3) Smoother exchange of capital will be further pursued by reviewing the designated company system with respect to acquisition of stocks, etc., by non-residents, by liberalizing the foreign investment in real estate, etc. and by flexible application of the disclosure procedures for foreign enterprises.

- (4) Entry by foreign enterprises into the financial field, etc.

The national treatment for the entry by and operations of foreign enterprises in the fields of banking, insurance and securities, will continue to be firmly sustained and provision of information will be further promoted with respect to these matters.

6. Promotion of International Cooperation, etc.

(1) Promotion of industrial cooperation

Such forms of industrial cooperation between the countries concerned as mutual investment, technological exchange and cooperation in third markets will be actively encouraged.

(2) Promotion for economic cooperation

In order to contribute to the economic development of the developing countries and to the vitalization of the world economy, efforts will be made to further improve and efficiently and effectively promote economic cooperation under the new medium-term target.

(3) Financial cooperation with international financial institutions

In order to adequately deal with the problems of accumulated indebtedness and other problems the developing countries are facing, appropriate financial cooperation with international financial institution such as the IMF and the IBRD will be pursued.

(4) Moderating in Export

In line with the basic policy of attaining external balance with enlarged volume of trade, efforts will be made to ensure moderate exports in specific products concerned.

<u>Tariff Item No.</u>	<u>Description</u>
02.02ex	Fowls (excluding legs with bone in)
03.02-1ex	Hard roes of salmon (salted, dried, etc.)
03.02-2(1)ex	Salmon (salted, dried, etc.)
03.03-2(1)ex	Crabs (live, fresh (dead), chilled or frozen)
08.01-1(1)	Bananas (fresh)
15.07-8	Palm oil
33.06-1	Perfumed water including eau de cologne and the like
38.19-5(3)ex	Catalysts (for motor cycles)
44.18-1	Reconstituted wood (in sheets or in boards)
44.18-2	Reconstituted wood (others)
48.01-2(3)ex	Sack kraft paper (wrapping paper)
48.07-1(1)	Paper and paperboard (weighing not more than 300 g/sq.m <sup>2</sup> ) ruled, lined or squared
48.07-2(1)	Paperboard (other), ruled, lined or squared
48.07-2(1)	Art paper
48.07-2(2)	Tracing paper
48.07-2(3)	Paraffined paper and waxed paper
48.07-2(4)	Oiled paper
48.07-2(5)	Lithographic paper
48.07-2(6)	Carbon paper
48.07-2(7)	Tarred paper
48.07-2(8)	Paper and paperboard coated with an adhesive
48.07-2(9)ex	Paper and paperboard, bituminised or asphalted and baryta paper
48.07-2(9)ex	Printing paper, etc. (weighing more than 30g/sq.m but not more than 300g/sq.m)
57.10	Woven fabric of jute
61.05-1	Handkerchiefs (of flax or ramie)
84.19-2ex	Filling machines equipped with forming devices for containers, packing or wrapping machines, N.E.S. and parts thereof
84.23-2ex	Parts of excavators
84.23-2ex	Parts of dredging machines
84.23-3ex	Part of other excavating machinery, etc.
84.25ex	Combine (excluding standard Japanese type)



84.50ex	Gas-operated welding, brazing appliances, etc. (of a kind operated by numerical control system)
84.50ex	Gas-operated welding, brazing appliances, etc. (other)
84.52-2(1)	Electronic cash registers
84.52-2(2)ex	Electronic bookkeeping and accounting machines
84.61	Taps, cocks, valves and similar appliances
85.21-2ex	Semi-conductors
85.21-3ex	Semi-conductors
87.06-2ex	Parts of track-laying type tractors
90.03-1ex	Frames of spectacles etc. made of or combined with precious metals excluding those made of metals, celluloid or synthetic resins
90.03-1ex	Frames and mountings, and parts of spectacles etc., made of or combined with precious metals (other)
90.03-2ex	Frames of spectacles, excluding those made of metals, celluloid or synthetic resins
90.03-2ex	Frames of mountings (other)
90.09-2	Photographic enlargers and reducers, and parts and accessories thereof
90.28-4ex	Automatic regulators (for motor vehicles)

(Note 1) Tariff on semi-conductors to be removed on the understanding that Japan and the U.S. will mutually remove the tariff of the semi-conductors, taking into consideration the recommendation of Japan-U.S. Working Group on high-technology industries.

(Note 2) Preferential rates of duty of bananas (fresh) and palm oil to be reduced. Preferential rates of duty specially for 11dc (free), on woven fabrics of jute, to be established.

(Note 3) Combines to be accorded the exempted treatments.

(ANNEX)

Expected Increase of Public Investment and  
Other Related Items

<u>Items</u>	<u>Amount</u>
1. Disaster-relief and recovery operations	Approximately ¥ 630 billion
2. General publicworks investment (contract authorization)	Approximately ¥ 450 billion
3. Housing loan corporation	Approximately ¥ 200 billion
4. Japan highway public corporation and others	Approximately ¥ 150 billion
5. Measures to be taken independently by the local governments	Approximately ¥ 450 billion
<u>Total</u>	Approximately ¥ 1,880 billion