

GENERAL AGREEMENT ON

TARIFFS AND TRADE

RESTRICTED

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Notifications Pursuant to Article XVI:1

JAPAN

This notification is to be submitted in accordance with the procedures of document L/6630 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. 40), 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

(i) Rice

As for Government purchasing rice, the Government purchases this product to the amount of which the Government needs to control it through purchasing from domestic producers at the Government purchasing prices (producer prices) which are determined on the basis of the production cost, commodity prices and other economic conditions 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 commodity prices and other economic conditions in general.

(ii) Wheat and Barley

With respect to wheat and barley produced by domestic producers, the Government also purchases these commodities. The Government purchasing prices (producer prices) are determined, taking account of the cost of production and other conditions of production, supply and demand situations of wheat or barley, and other economic situation such as commodity prices to contribute to the improvement of its efficiency and quality with a view to ensuring reproduction of these products. The Government selling prices of wheat and barley to mills are determined, with due regard being paid to household expenses and other economic conditions in general, with a view to stabilizing consumer's household expenditure.

(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 1988 was ¥ 214,800 million.

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

As for rice, it is one of the basic policies to ensure the balanced supply and demand situations in the domestic market. As the gap exists between potential supply and actual demand of rice, due to the decrease of domestic consumption of rice and improvement of productivity, production adjustment, which covers 30 per cent of all paddy fields, is now under way in order to bring production in line with demand.

With respect to wheat and barley, in spite of the increasing tendency in domestic production, the amount of import is generally stable due to the increase of demand.

(b) Statistics

(Unit: '000 tons)

| | Fiscal year | Production | Consumption | Import | Export |
|--------|-------------|------------|-------------|--------|--------|
| Rice | 1986 | 11,647 | 10,796 | 41 | 0 |
| | 1987 | 10,627 | 10,647 | 39 | 0 |
| | 1988 | 9,935 | 10,584 | 43 | 0 |
| Wheat | 1986 | 876 | 6,054 | 5,200 | 0 |
| | 1987 | 864 | 6,069 | 5,133 | 0 |
| | 1988 | 1,021 | 6,140 | 5,290 | 0 |
| Barley | 1986 | 344 | 2,326 | 1,942 | 0 |
| | 1987 | 353 | 2,329 | 1,988 | 0 |
| | 1988 | 399 | 2,438 | 2,120 | 0 |

Note: 1. The figures are derived from "The Food Balance Sheets".
2. 1988: Provisional

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 (hereinafter referred to as "potatoes") below the normal price level, the Government enforces the production and sales adjustment programme of potato starch produced therefrom, and purchases and sells them as provided for in the Agricultural Products Price Stabilization Act (1953 Law No. 225 hereinafter referred to as "the Act").

(b) Incidence

(i) When the price of potato starch is below a normal level for a certain period of time despite the production and sales adjustment programme based on the Act, the Government shall purchase them. Potato starch which is produced in violation of the production and sales adjustment programme by the Government is to be excluded from the Government purchase.

(ii) The Government purchasing price of potato starch is determined on the basis of the standard purchasing price which is obtained by the price of potatoes determined by the Government and processing and marketing costs.

(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

No financial payment is expected for the fiscal year 1989.

II. Effect of measures

(a) Estimated quantitative trade effects of the measures

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

While the production of potato starch has declined almost by half from 800,000 tons in 1965 to 430,000 tons (average from 1985 to 1987), the level of the import of starch has been stable, in the last three years, at 177,000 tons in 1986 and 175,000 tons in 1988.

(The figures for production are those in starch year (from October to September in the following year), and the figures for import are those in calendar year.)

(b) Statistics

(Unit: '000 tons)

| Fiscal year | Production | Consumption | Import | Export |
|-------------|------------|-------------|--------|--------|
| 1986 | 457 | 409 | 177 | 1 |
| 1987 | 435 | 440 | 175 | 0 |
| 1988 | 408 | 439 | 175 | 3 |

- Note:
1. The figures for production and consumption are those in starch year (from October to September in the following year).
 2. The figures for import and export are those in calendar year.
 3. The figures for production and consumption in 1988 are provisional.

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 (Law No. 41), 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, Japan Raw Silk and Sugar Price Stabilization Agency 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 Agency 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 Agency. Deficits arising from this operation are to be met by two sources: first, the surplus accrued to the Agency from its operational transactions of imported sugar, minus the amount which was transferred to the Sugar Price Stabilization Fund, and, second, the subsidies given to the Agency by the Government.

(c) Amount of subsidy

In order to support the price of the domestically produced sugar, ¥ 17,414 million was financed as a subsidy to the Japan Raw Silk and Sugar Price Stabilization Agency in Fiscal Year 1988.

II. Effect of measures

(a) Estimated quantitative trade effects 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 steady 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. The domestic production of sugar is 95,000 tons on the average from 1986 to 1988, and the import is 1,840,000 tons on the average for the same period. (The figures are crude sugar basis of a polarization of 96° in calendar year).

(b) Statistics

(Unit: '000 tons, crude sugar basis)

| Calendar year | Production | Consumption | Import | Export |
|---------------|------------|-------------|--------|--------|
| 1986 | 953 | 2,738 | 1,823 | 5 |
| 1987 | 960 | 2,690 | 1,777 | 5 |
| 1988 | 944 | 2,905 | 1,920 | 3 |

Note: 1. The figures are derived from "ISO Sugar Yearbook" of International Sugar Organization.

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 (Law No. 201) 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 with a view to ensuring reproduction, taking account of the cost of production for producers who intend to produce soyabeans or rapeseed mainly for selling, and other conditions of production, supply and demand situations of soyabeans or rapeseed, and other economic situations.

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 year 1988, ¥ 24,825 million was paid for producers of soyabeans and ¥125 million for those of rapeseed. The amount of subsidy per unit (60 kg.) was ¥ 10,539 for soyabeans and ¥ 8,125 for rapeseed.

II. Effect of measures

(a) Estimated quantitative trade effects 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 1988 the production of soyabeans fell to 277 thousand tons and that of rapeseed 2 thousand tons, while the imports

recorded were 4,685 thousand tons for soyabeans and 1,665 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 | 1986 | 1987 | 1988 |
|------------------|-------|-------|-------|
| Soyabeans | | | |
| Production | 245 | 287 | 277 |
| Consumption | 4,828 | 4,759 | 4,663 |
| Import | 4,817 | 4,797 | 4,685 |
| Export | 0 | 0 | 0 |
| Rapeseed | | | |
| Production | 2 | 2 | 2 |
| Consumption | 1,473 | 1,619 | 1,664 |
| Import | 1,440 | 1,662 | 1,665 |
| Export | 0 | 0 | 0 |

- Note:
1. The figures for production are derived from "the Crop Statistics".
 2. The figures for consumption are derived from "the statistics of the Ministry of Agriculture, Forestry and Fisheries".
 3. The figures for import and export are derived from "the Japan Exports & Imports".

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 (1951 Law No. 310), Japan Raw Silk and Super Price Stabilization Agency (Note:

replaced the former Japan Raw Silk Corporation and the former Sugar Price Stabilization Corporation in October 1981. Hereinafter referred to as "the Agency") conducts operations to stabilize the price of cocoon and raw silk at a level appropriate in the light of the conditions of production, supply and demand, and other situations with a view to contributing to stabilization of management of cocoon and raw silk industry.

(b) Incidence

The Agency purchases raw silk, when raw silk prices fall below the standard price, upon the application of producers, etc., at the price which the Agency determined on the basis of the standard 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.

The price range with the maximum and standard prices for raw silk are determined by the Minister of Agriculture, Forestry and Fisheries with a view to stabilizing the price of raw silk at a level appropriate in the light of the conditions of production, supply and demand situation of raw silk and other economic factors.

The Agency may be entrusted with the purchase and sale services of the dried cocoon within the scope of a limited quantity, in case the purchase and sale transaction of cocoon is likely to be carried out at a price less than the standard price of cocoon and the Federations of Agricultural Co-operatives offered.

The standard price of cocoon are set by the Minister of Agriculture, Forestry and Fisheries 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.

(c) Amount of subsidy

There has been no subsidy paid in connection with recent purchase and sale operations of raw silk.

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 cannot be considered to have effects on trade.

(b) Statistics

(Unit: '000 tons)

| | Calendar year | Production | Consumption | Import | Export |
|----------|---------------|------------|-------------|--------|--------|
| Cocoon | 1987 | 34,726 | 41,918 | 366 | 0 |
| | 1988 | 29,590 | 36,972 | 410 | 0 |
| | 1989 | 26,819 | 33,262 | 2,529 | 0 |
| Raw silk | 1987 | 7,864 | 10,728 | 1,457 | 0 |
| | 1988 | 6,862 | 13,535 | 1,957 | 0 |
| | 1989 | 6,078 | 9,610 | 2,048 | 0 |

- Note:
1. Imported amount of cocoon is described in terms of raw cocoon. The conversion ratio of raw and dry cocoon weights is 100 to 42.
 2. The consumption of raw silk represents the amount handed over to textile manufacturers from either distributors or raw silk producers.

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

¥ 28,563 million was provided to the Livestock Industry Promotion Corporation as a subsidy to producers in fiscal year 1988.

II. Effect of measures

(a) Estimated quantitative trade effects of the measures

The price stabilization measure only aims at keeping the prices of milk products stable. As mentioned earlier, the subsidy measure is to aim at stabilizing dairy farming on a more rationalized basis and to aim at promoting development of agriculture in districts which have no dependable sectors other than the dairy farming, through supporting producers for manufacturing milk and carrying out the supply and demand adjustment. It is not, therefore, considered that this measure has an effect on international trade.

(b) Statistics

(Unit: '000 tons)

| | | FY 1986 | FY 1987 | FY 1988 |
|--------------------------------------|-------------|---------|---------|---------|
| Milk | Production | 7,361 | 7,427 | 7,718 |
| | Consumption | 7,361 | 7,427 | 7,718 |
| | Import | - | - | - |
| | Export | - | - | - |
| Butter | Production | 81 | 69 | 71 |
| | Consumption | 83 | 71 | 94 |
| | Import | 2 | 2 | 23 |
| | Export | 0 | 0 | 0 |
| Powdered skimmed milk | Production | 172 | 155 | 163 |
| | Consumption | 261 | 257 | 289 |
| | Import | 89 | 102 | 126 |
| | Export | 0 | 0 | 0 |
| Sugared condensed whole milk | Production | 48 | 44 | 51 |
| | Consumption | 48 | 44 | 51 |
| | Import | 0 | 0 | 0 |
| | Export | 0 | 0 | 0 |
| Sugared condensed skimmed milk | Production | 14 | 15 | 16 |
| | Consumption | 14 | 15 | 16 |
| | Import | 0 | 0 | 0 |
| | Export | 0 | 0 | 0 |

Note: 1. The figures are derived from "Milk and Milk Products Statistics" of the Ministry of Agriculture, Forestry and Fisheries, and "Japan Exports & Imports" of the Ministry of Finance.

2. Consumption = Production + Import - Export.

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 November 1961, price stabilization schemes were established for pork and bovine meat in 1962 and 1975 respectively. Under the schemes the Livestock Industry Promotion Corporation conducts purchase and sale operations of the above-mentioned meats to prevent abnormal fluctuations of market prices which go beyond a predetermined range.

The objectives of the schemes are to ensure the sound growth of the Japanese livestock industry, which has a short history and is not well established, and to ensure the stable supply and prices of livestock products the significance of which is increasing rapidly in our diet.

(b) Incidence

- (i) Bovine meat and 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,

- 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 or exempted.
- 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.)

- (ii) 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.

As a result of the elimination of quantitative import restrictions on bovine meat, from April in 1991 the Corporation is scheduled not to conduct purchase and sale operations of the bovine meat.

(c) Amount of deficit

Management costs of this price stabilization system were borne by benefits derived from the operation of the funds of the Corporation. However, no fiscal payment to the Corporation is made in the fiscal year 1989.

II. Effect of measures

(a) Estimated quantitative trade effects of the 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 tons)

| Fiscal year | | Bovine meat | Pork |
|-------------|-------------|-------------|-------|
| 1986 | Production | 563 | 1,558 |
| | Consumption | 817 | 1,890 |
| | Import | 268 | 292 |
| | Export | 0 | 0 |
| 1987 | Production | 568 | 1,592 |
| | Consumption | 893 | 1,994 |
| | Import | 319 | 415 |
| | Export | 0 | 0 |
| 1988 | Production | 569 | 1,577 |
| | Consumption | 973 | 2,041 |
| | Import | 408 | 484 |
| | Export | 0 | 0 |

- Note:
1. The figures are derived from "the Food Balance Sheets".
 2. On carcass basis.
 3. 1988: Provisional.