

WORLD TRADE ORGANIZATION

RESTRICTED

G/SCM/Q2/JPN/15

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(97-5012)

Committee on Subsidies
and Countervailing Measures

Original: English

SUBSIDIES

Response by JAPAN to the Request from the EUROPEAN COMMUNITY¹ Pursuant to Article 25.8 of the Agreement

The following communication, dated 22 October 1997, has been received from the Permanent Mission of Japan.

Paragraph 8 of Article 25 of the Agreement on Subsidies and Countervailing Measures (the SCM Agreement) states that "any Member may, at any time, make a written request for information on the nature and extent of any subsidy granted or maintained by another Member ... or for an explanation of the reasons for which a specific measure has been considered as not subject to the requirement of notification."

On this basis, the European Community formally requests that Japan provide information on the nature and extent of the Law concerning Special Fiscal Measures Related to the Specific Programmes for the Dowa Regional Improvement. The European Community requests a notification of all programmes under this legislation using the standard questionnaire format (document G/SCM/6). In the event Japan should consider that this programme does not constitute a notifiable subsidy under Article 25 of the SCM Agreement, the European Community respectfully requests that Japan provides the information listed below for reasons of transparency.

This current legislation entered into force in 1987 and was scheduled to expire in March 1997. Out of the 45 specific programmes under this legislation, 15 have been extended for a further five-year period. The draft budget requested for these 15 programmes amounted to ¥62 billion for fiscal year 1997.

The European Community has reason to believe that this programme may constitute a subsidy meeting the notification requirements under Article 25.2 of the SCM Agreement. In particular, the European Community considers that this programme constitutes a specific subsidy in the sense of Article 2.1 of the SCM Agreement since the programme appears to be limited to certain regions and the subsidy is predominantly used by enterprises in the leather industry.

¹G/SCM/Q2/JPN/13.

In this respect, the European Community would like the following clarification:

1. **Please provide an overview of all specific programmes which are in operation under this law.**
2. **Please attach a copy of this legislation (if available, in English).**
3. **List all industry sectors which are eligible to obtain a subsidy from these programmes.**
4. **Please provide the total budget for this programme as well as the budget for each individual programme for the last three years. Provide the expenditure per industry sector for the last three years.**
5. **List for each individual programme the administering authority.**
6. **Describe for each individual programme:**
 - **the criteria for eligibility;**
 - **explain how subsidies are given;**
 - **specify whether the subsidy is in the form of a grant, loan, tax exemption etc.**
 - **how the administering authority selects projects.**
7. **Please explain how the budget for this programme is established. How is this amount financed?**
8. **Indicate whether any changes in the current legislation are foreseen. How will these changes affect the current legislation? Attach a copy of any draft legislation.**

Pursuant to Article 25.9 of the SCM Agreement "Members shall provide such information as quickly as possible and in a comprehensive manner In particular, they shall provide sufficient details to enable other Members to assess the compliance with the terms of this Agreement." In this respect, the European Community requests Japan to comply with these provisions. The European Community considers that 30 days constitutes a reasonable delay and requests the information within this time-frame.

Reply

Japan herewith provides information on the Law concerning Special Fiscal Measures Related to the Specific Programmes for the Dowa Regional Improvement in response to the request from the EC (G/SCM/Q2/JPN/13), and in accordance with paragraph 25.9 of Article 25 of the SCM Agreement. While it should be noted that the subsidy is not predominantly used by enterprises in the leather industry, Japan provides the relevant information in a cooperative manner as a Member country of the WTO. This provision of information does not prejudice the legal status, effects or nature of the programmes under GATT 1994 and the Agreement on Subsidies and Countervailing Measures.

1. The current Law concerning Special Fiscal Measures Related to the Specific Programmes for the Dowa Regional Improvement was enacted in 1987 and partially modified in 1992 and 1997. The Law will be ineffective at the end of March 2002. (A copy of the Law is attached.)*

2. List of the 15 programmes under this legislation

Title of Programme		Administering Authority	<u>Page No.</u>
1	Living Environment Improvement Project	Ministry of Construction	4
2	Small Community Living Environment Improvement Project	Ministry of Construction	5
3	Loan for Building Residential Houses	Ministry of Construction	6
4	Road Project	Ministry of Construction	7
5	Urban Road Development Project	Ministry of Construction	8
6	Programme for Facilitation of Public Sewage System	Ministry of Construction	9
7	Loan for Improvement of Management in Underdeveloped Agricultural, Forestry and Fisheries Area	Ministry of Agriculture, Forestry and Fisheries	10
8	Consultation on Farming	Ministry of Agriculture, Forestry and Fisheries	11
9	Upgrading Activities for Regional Improvement	Ministry of International Trade and Industry	12
10	Management Improvement Promotion Activities	Ministry of International Trade and Industry	14
11	Programme for Job Training	Ministry of Labour	15
12	Grant for Job Trainees	Ministry of Labour	16
13	Programme for Job Instruction, Arrangement and Counselling	Ministry of Labour	17
14	Programme for Supporting Scholarship for Higher Education	Ministry of Education	18
15	Programme for Voluntary Counsellor for Livelihood	Ministry of Health and Welfare	20

*A copy of the Law, in the Japanese language, is available in the offices of the Rules Division for review by interested Members. Please contact Miss. S. Aspinall, Office No. 1028, Tel. 739 5109.

1. Title of the Programme

1. Living Environment Improvement Project

2. Administering Ministry

The Ministry of Construction.

3. Overview of the Programme

The Living Environment Improvement Project is intended to improve the living environment of the designated area where defective houses are concentrated by removing them and building new houses as well as constructing roads and parks.

4. Industry Sector Eligible to Obtain a Fund from the Programme

N.A. (Please refer to the overview of the programme.)

5. Budget for the Last Three Years

*Budget for the Small Community Living Environment Improvement Project is incorporated.

Fiscal year 1994	¥38,257 million
Fiscal year 1995	¥38,257 million
Fiscal year 1996	¥39,035 million

6. Expenditure per Industry Sector for the Last Three Years

N.A. (Please refer to the overview of the programme.)

7. Criteria for Eligibility

The fund is provided to areas meeting the following conditions:

- | | |
|--|-------------------|
| (1) The number of defective houses: | more than 50 |
| and (2) the rate of defective houses: | more than 80% |
| and (3) the density of all the houses: | more than 80/ha |
| and (4) the size of the area: | more than 0.15 ha |

8. How the Fund is Given

The fund is provided to the local governments.

9. Form of the Fund

Grant.

10. Selection of the Projects

N.A.

11. How the Budget is Financed

Approved by the Government.

1. Title of the Programme

2. Small Community Living Environment Improvement Project

2. Administering Ministry

The Ministry of Construction.

3. Overview of the Programme

The Small Community Living Environment Improvement Project is intended to improve the environment of the small communities in the designated area where there are many defective houses by removing them and building new houses as well as constructing roads and parks.

4. Industry Sector Eligible to Obtain a Fund from the Programme

N.A. (Please refer to the overview of the programme.)

5. Budget for the Last Three Years

Refer to the Budget for the Living Environment Improvement Project.

6. Expenditure per Industry Sector for the Last Three Years

N.A. (Please refer to the overview of the programme.)

7. Criteria for Eligibility

The villages to obtain the fund should meet the following requirements:

- (1) the number of houses in poor conditions: more than 15 and
- (2) the rate of houses in poor conditions: more than 50%

8. How the Fund is Given

The fund is provided to the local governments.

9. Form of the Fund

Grant.

10. Selection of the Projects

N.A.

11. How the Budget is Financed

Approved by the Government.

1. Title of the Programme

3. Loan for Building Residential Houses

2. Administering Ministry

The Ministry of Construction.

3. Overview of the Programme

The Loan for Building Residential Houses provides loans to individuals for building or renovating houses as well as obtaining housing lots in the designated area in order to improve the environment of the designated area.

4. Industry Sector Eligible to Obtain a Fund from the Programme

N.A. (Please refer to the overview of the programme.)

5. Budget for the Last Three Years

Fiscal year 1994	¥3,688 million
Fiscal year 1995	¥3,208 million
Fiscal year 1996	¥2,043 million

6. Expenditure per Industry Sector for the Last Three Years

N.A. (Please refer to the overview of the programme.)

7. Criteria for Eligibility

Those who live in the designated area and build or renovate houses, or obtain housing lots within the area.

8. How the Fund is Given

The Government provides loans to the applicant through local governments.

9. Form of the Fund

Loan.

10. Selection of the Projects

The Government selects recipients from the applicants who meet the criteria.

11. How the Budget is Financed

Approved by the Government.

1. Title of the Programme

4. Road Project

2. Administering Ministry

The Ministry of Construction.

3. Overview of the Programme

The Road Project provides funds to construct or reconstruct arterial roads (limited to municipal roads) which run through the designated area.

4. Industry Sector Eligible to Obtain a Fund from the Programme

N.A. (Please refer to the overview of the programme.)

5. Budget for the Last Three Years

Fiscal year 1994 ¥1,300 million

Fiscal year 1995 ¥1,430 million

Fiscal year 1996 ¥1,592 million

6. Expenditure per Industry Sector for the Last Three Years

N.A. (Please refer to the overview of the programme.)

7. Criteria for Eligibility

The construction or reconstruction of trunk roads in the designated area.

8. How the Fund is Given

The grant is provided to the local governments.

9. Form of the Fund

Grant.

10. Selection of the Projects

N.A.

11. How the Budget is Financed

Approved by the Government.

1. Title of the Programme

5. Urban Road Development Project

2. Administering Ministry

The Ministry of Construction.

3. Overview of the Programme

The Urban Road Development Project provides funds for construction or reconstruction of roads approved in city planning (limited to municipal roads) which run through the designated area.

4. Industry Sector Eligible to Obtain a Fund from the Programme

N.A. (Please refer to the overview of the programme.)

5. Budget for the Last Three Years

Fiscal year 1994	¥2,428 million
Fiscal year 1995	¥2,900 million
Fiscal year 1996	¥2,120 million

6. Expenditure per Industry Sector for the Last Three Years

N.A. (Please refer to the overview of the programme.)

7. Criteria for Eligibility

Construction and reconstruction of the roads in the designated area.

8. How the Fund is Given

The Fund is provided to the local governments.

9. Form of the Fund

Grant.

10. Selection of the Projects

N.A.

11. How the Budget is Financed

Approved by the Government.

1. Title of the Programme

6. Programme for Facilitation of Public Sewage System

2. Administering Ministry

The Ministry of Construction.

3. Overview of the Programme

The Programme for Facilitation of Public Sewage System provides funds for the facilitation of public sewage system in order to improve the environment of the designated area by eliminating house drainage as well as to conservation of water quality in the public water area.

4. Industry Sector Eligible to Obtain a Fund from the Programme

N.A. (Please refer to the overview of the programme.)

5. Budget for the Last Three Years

Fiscal year 1994	¥8,980 million
Fiscal year 1995	¥9,600 million
Fiscal year 1996	¥11,796 million

6. Expenditure per Industry Sector for the Last Three Years

N.A. (Please refer to the overview of the programme.)

7. Criteria for Eligibility

Facilitation of public sewage within the designated area or coupled with the implementation of the Living Environment Improvement Project.

8. How the Fund is Given

The fund is provided to the local governments.

9. Form of the Fund

Grant.

10. Selection of the Projects

N.A.

11. How the Budget is Financed

Approved by the Government.

1. Title of the Programme**7. Loan for Improvement of Management in Underdeveloped Agricultural, Forestry and Fisheries Area**2. Administering Ministry

The Ministry of Agriculture, Forestry and Fisheries.

3. Overview of the Programme

The Loan for Improvement of the Management in Underdeveloped Agricultural, Forestry and Fisheries Area provides long-term low-interest loans from the Agriculture, Forestry and Fisheries Finance Corporation to those who are engaged in agriculture, forestry or fishery, in order to facilitate a structural reform in these sectors in the designated area.

4. Industry Sector Eligible to Obtain a Fund from the Programme

Agriculture, forestry and fisheries in general.

5. Budget for the Last Three Years

Fiscal year 1994	¥2,000 million
Fiscal year 1995	¥2,000 million
Fiscal year 1996	¥2,000 million

6. Expenditure per Industry Sector (agriculture, forestry and fisheries as a whole) for the Last Three Years

Fiscal year 1994	¥43,428,000 (19 cases)
Fiscal year 1995	¥26,702,000 (12 cases)
Fiscal year 1996	¥20,160,000 (11 cases)

7. Criteria for Eligibility

Those who are engaged in agriculture, forestry or fishery living in the designated areas and approved by a governor of the local government concerned.

8. How the Fund is Given

The fund is provided as a loan from the Agriculture, Forestry and Fisheries Finance Corporation to the approved individuals.

9. Form of the Fund

Loan.

10. Selection of the Projects

The Agriculture, Forestry and Fisheries Finance Corporation selects recipients from the applicants who meet the criteria.

11. How the Budget is Financed

Approved by the Ministry of Finance.

1. Title of the Programme

8. Consultation on Farming

2. Administering Ministry

The Ministry of Agriculture, Forestry and Fisheries.

3. Overview of the Programme

The Programme of Farming puts consultants to provide instructions and consultations on matters including the introduction of newly developed production technology in agriculture, forestry or fishery.

4. Industry Sector Eligible to Obtain a Fund from the Programme

The Programme is designed to provide instructions and consultations in agriculture, forestry and fishery sector in general.

5. Budget for the Last Three Years

Fiscal year 1994	¥96,696,000
Fiscal year 1995	¥91,008,000
Fiscal year 1996	¥84,114,000

6. Expenditure per Industry Sector for the Last Three Years

N.A. The programme is designed to provide instructions and consultations in agriculture, forestry and fishery sector in general.

7. Criteria for Eligibility

Local governments governing the designated area.

8. How the Fund is Given

The fund is provided to local governments governing the designated area.

9. Form of the Fund

Grant.

10. Selection of the Projects

The Government selects the recipients from the applied local governments which meet the criteria.

11. How the Budget is Financed

Approved by the Government

1. Title of the Programme**9. Upgrading Activities for Regional Improvement**2. Administering Ministry

The Ministry of International Trade and Industry.

3. Overview of the Programme

The Japan Small Business Corporation provides loans to organizations of small and medium enterprises (SMEs) including Cooperative Associations in the designated area when these SMEs carry out the programme of upgrading activities such as business cooperation and grouping of plants and shops through their organizations in order to enhance the business base including rationalization of management and modernization of facility in the designated area. The conditions of loan (rate of loan and interest of loan) in this programme is only better provided than those in the ordinary loan conditions by the Japan Small and Medium Enterprise Business Corporation.

4. Industry Sector Eligible to Obtain a Fund from the Programme

Small and medium enterprises in the designated area.

5. Budget for the Last Three Years (the ceiling of the loan)

Fiscal year 1994	¥9,000 million
Fiscal year 1995	¥9,000 million
Fiscal year 1996	¥9,000 million

6. Expenditure per Industry Sector for the Last Three Years

Fiscal year 1994	Construction	¥492 million (2 cases)
	Manufacture	¥650 million (2 cases)
	Food	¥320 million
	Textile	¥330 million
	Retail/Service	¥76 million
Fiscal year 1995	Manufacture	¥3,916 million (3 cases)
	Food	¥675 million
	Feed	¥2,598 million
	Textile	¥643 million
	Wholesale	¥178 million
Fiscal year 1996	Manufacture	¥1,951 million (2 cases)
	Food	¥943 million
	Leather	¥1,008 million

7. Criteria for Eligibility

Cooperative Associations of SMEs more than 70% of which members are small and medium enterprises in the designated area.

8. How the Fund is Given

The Government (the Japan Small Business Corporation) provides funds to the approved person through the local governments.

9. Form of the Fund

Loan.

10. Selection of the Projects

The Government selects the recipients on the first come first served basis on condition they meet the criteria.

11. How the Budget is Financed

Approved by the Government

1. Title of the Programme**10. Management Improvement Promotion Activities**2. Administering Ministry

The Ministry of International Trade and Industry.

3. Overview of the Programme

In order to improve the management of small enterprises in the designated area, this programme provides the Chamber of Commerce and Industry or the Prefectural Federation of Societies of Commerce and Industry with funds for management instructors who provide the management guidance to small enterprises exclusively in the designated area.

4. Industry Sector Eligible to Obtain a Fund from the Programme

This programme is intended to provide instructions for small enterprises in general.

5. Budget for the Last Three Years

Fiscal year 1994	¥794,862,000
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Fiscal year 1995	¥687,274,000
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Fiscal year 1996	¥568,074,000
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6. Expenditure per Industry Sector for the Last Three Years

N.A. This programme is intended to provide instructions for small scale enterprises in general.

7. Criteria for Eligibility

The Chamber of Commerce and Industry or the Prefectural Federations of Societies of Commerce and Industry unions which have management instructors especially for small enterprises in the designated area.

8. How the Fund is Given

The fund is granted to the Chambers of Commerce and Industry or the Prefectural Federations of Societies of Commerce and Industry.

9. Form of the Fund

Grant.

10. Selection of the Projects

The Government selects recipients from the applicants who meet the criteria.

11. How the Budget is Financed

Approved by the Government

1. Title of the Programme

11. Programme for Job Training

2. Administering Ministry

The Ministry of Labour.

3. Overview of the Programme

The programme for Job Training provides job training through various schools for those who are in an unstable job situation such as temporary employment or day employment in the designated area, so that they can obtain necessary knowledge and techniques.

4. Industry Sector Eligible to Obtain a Fund from the Programme

N.A. (Please refer to the overview of the programme.)

5. Budget for the Last Three Years

Fiscal year 1994	¥357,580,000
Fiscal year 1995	¥361,329,000
Fiscal year 1996	¥364,141,000

6. Expenditure per Industry Sector for the Last Three Years

N.A. (Please refer to the overview of the programme.)

7. Criteria for Eligibility

Special training schools, miscellaneous schools and organizations that provide courses to learn and improve techniques necessary for obtaining a job.

8. How the Fund is Given

The Government provides the fund to the schools and organizations described above.

9. Form of the Fund

Grant.

10. Selection of the Projects

The Government selects recipients from the applicants who meet the criteria.

11. How the Budget is Financed

Approved by the Government

1. Title of the Programme

12. Grant for Job Trainees

2. Administering Ministry

The Ministry of Labour.

3. Overview of the Programme

The Grant for Job Trainees provides the following grants to those who are attending a course of the Programme for Job Training.

- (i) Allowance: to be paid for days when the applicants attend the course.
- (ii) Bounty: to be paid to compensate the loss of salary as a result that the trainee misses work.
- (iii) Transportation allowance.

4. Industry Sector Eligible to Obtain a Fund from the Programme

N.A. (Please refer to the overview of the programme.)

5. Budget for the Last Three Years

Fiscal year 1994	¥570,000,000
Fiscal year 1995	¥567,755,000
Fiscal year 1996	¥565,439,000

6. Expenditure per Industry Sector for the Last Three Years

N.A. (Please refer to the overview of the programme.)

7. Criteria for Eligibility

Those who are in an unstable job situation in the designated area.

8. How the Fund is Given

The grant is provided to the approved individuals.

9. Form of the Fund

Grant.

10. Selection of the Projects

The Government selects recipients from the applicants who meet the criteria.

11. How the Budget is Financed

Approved by the Government

1. Title of the Programme

13. Programme for Job Instruction, Arrangement and Counselling

2. Administering Ministry

The Ministry of Labour.

3. Overview of the Programme

The Programme for Job Instruction, Arrangement and Counselling intends to promote the employment of people in the designated area and to stabilize their life, as well as to contribute to the smooth and effective management of works concerning the promotion of employment and job stability by employing job counsellors to give counselling and instruction to the individuals in the designated area.

4. Industry Sector Eligible to Obtain a Fund from the Programme

N.A. (Please refer to the overview of the programme.)

5. Budget for the Last Three Years

Fiscal year 1994	¥206,633,000
Fiscal year 1995	¥175,133,000
Fiscal year 1996	¥150,581,000

6. Expenditure per Industry Sector for the Last Three Years

N.A. (Please refer to the overview of the programme.)

7. Criteria for Eligibility

Those who properly understand and recognize the Dowa Problem as well as possess adequate passion and knowledge necessary for Job Counselling.

8. How the Fund is Given

The Government directly employs the counsellors.

9. Form of the Fund

Grant.

10. Selection of the Projects

The Government selects recipients from the applicants who meet the criteria.

11. How the Budget is Financed

Approved by the Government.

1. Title of the Programme**14. Programme for Supporting Scholarship for Higher Education**2. Administering Ministry

The Ministry of Education.

3. Overview of the Programme

The Programme for Supporting Scholarship for Higher Education supports local governments and designated cities which provide scholarship or support for school necessities to the children whose parents live in the designated area and who have financial difficulties in pursuing higher education.

4. Industry Sector Eligible to Obtain a Fund from the Programme

N.A. (Please refer to the overview of the programme.)

5. Budget for the Last Three Years

Fiscal year 1994	¥9,930,342,000
Fiscal year 1995	¥9,976,386,000
Fiscal year 1996	¥9,984,786,000

6. Expenditure per Industry Sector for the Last Three Years

N.A. (Please refer to the overview of the programme.)

7. Criteria for Eligibility

- (i) Children whose parents are related to Dowa in the designated area.
- (ii) (For scholarship) Those who are in high school or university. (For support for necessities.) Those who have just entered high school or university.
- (iii) Those who belong to lower income households and have financial difficulty in pursuing higher education.
- (iv) (For scholarship) Those who are not receiving a scholarship provided by Japan Scholarship Foundation or provided by Law for the Welfare of Fatherless Families and Widows.

8. How the Fund is Given

The Government provides loans to the approved person through the local governments in the designated area.

9. Form of the Fund

Loan.

10. Selection of the Projects

The Government selects recipients from the applicants who meet the criteria.

11. How the Budget is Financed

Approved by the Government

1. Title of the Programme

15. Programme for Voluntary Counsellor for Livelihood

2. Administering Ministry

The Ministry of Health and Welfare.

3. Overview of the Programme

The Programme for Voluntary Counsellor for Livelihood provides necessary cost for local governments entailing the designated area to employ Life Counsellors for any living affairs of people in the designated area.

4. Industry Sector Eligible to Obtain a Fund from the Programme

N.A. (Please refer to the overview of the programme.)

5. Budget for the Last Three Years

Fiscal year 1994	¥61,875,000
Fiscal year 1995	¥55,060,000
Fiscal year 1996	¥48,003,000

6. Expenditure per Industry Sector for the Last Three Years

N.A. (Please refer to the overview of the programme.)

7. Criteria for Eligibility

Local governments which entail more than a certain number of the area with less than 50 households.

8. How the Fund is Given

The fund is granted to the municipal governments through the prefectural governments.

9. Form of the Fund

Grant.

10. Selection of the Projects

The Government selects recipients from the applicants who meet the criteria.

11. How the Budget is Financed

Approved by the Government