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The Development of Government Policies for the Promotion of Exports – Especially during the 1950s

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Abstract. The paper is devoted to research of the development of government policies for the promotion of export in Japan. Attention was paid to the period of time during the 1950s. The evolution of government policies promoting exports was considered in details. Export inspection system as an instrument of facilitating developing export opportunities of Japanese companies was investigated and assessed.

Key words: promotion of export, government policy, Japanese exporters, tax system.

Issues in the Promotion of Exports

In the course of Japan's industrialization the promotion of exportation has from the very beginning been a central consideration in government policy. Before the Second World War, in addition to the contribution made by the production of raw silk as a Japanese specialty export product for the acquisition of foreign currency, the expansion of colonies in East Asia, based on military aggression, enabled Japan to secure its export market through strong measures. However, these conditions changed drastically as a result of the defeat. Upon the appearance of rayon and nylon, the competitive export strength of raw silk weakened, and Japan, choosing to align itself with the nations of the West during the Cold War, faced the situation where it was unable to hope for expansion of trade with China, which had been its largest market before the war. In addition, Japan's aggressive exportation of cotton goods to former countries of the British Commonwealth caused deep distrust of Japan. Besides, in the nations of Southeast Asia, where the issue of war reparations remained unsettled, anti-Japanese sentiment resulting from the ravages of war did not easily dissipate. Post-World War II export expansion operated under these major limitations.

These conditions continued to have an obvious effect on economic recovery well into the early 1950s until the attainment of autonomy with the effectuation of the San Francisco Peace Treaty. Although it can be said that recovery up to 1951 had been much more rapid than anticipated, the circumstances of Japan's economy in that year were the following compared with the pre-war period (taking the years 1934-1936 as 100), the production of mining and manufacturing industries stood at 131, agriculture at 100, exports at 36 (30, when excluding special procurements), imports at 49, consumption levels at 86, industrial investment at 119, and per capita income at 93. That is to say, despite the recovery of mining and manufacturing productivity, the amount of trade remained at record low levels, the recovery of export levels was especially slow, and the recovery was conspicuously uneven.

The problems of the contemporary Japanese economy were even more apparent when compared with the situation in major nations of the West. With the exception of the United States, there was not a major gap in the recovery of production of mining and manufacturing industries, but in comparison with other countries in which trade volume recovered in step with productivity levels to exceed pre-war levels, the level of Japanese trade was exceedingly slow in recovering.

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The 1953 Annual Economic Report concluded that "As long as Japan does not institute a radical industrial overhaul, for the next several years Japan's exports will be limited to four-tenths of its pre-war strength, and the most one can expect is a volume of approximately 1.5 to 1.6 billion dollars." The unevenness of recovery, especially the sluggishness of exports, revealed more than anything else the fragility of autonomous Japan's economic power.

The recovery of the domestic economy during the period of the Cold War was due to America's easing of its occupation policies vis-a-vis Japan, the infusion of large-scale assistance, and moreover, the generation of special procurements as a result of the outbreak of the Korean War. In a limited export market, an equilibrium was finally achieved between international revenues and expenditures via procurements and assistance, and in this way the acquisition of foreign currency made it possible to import the necessary materials and resources. At the same time, this was the weak point of Japan once its autonomy was restored. Economic recovery, which relied on procurements and subsidies to cover its weakness in the balance of international payments, stalled in no time when the Korean conflict came to an end and the assistance was cut off. Whether or not a curtailment in the balance of payments which accompanied a decrease in imports resulting from a lack of foreign currency was inevitable, the introduction of foreign capital in such forms as subsidies carried great risk of bringing on a spiraling accumulation of foreign debt.

Table 1

International Comparison of Recovery

Countries	Mining and Industry Productivity	Export Volume	Import Volume	Per Capita Income
	1937=100	1937=100	1937=100	US Dollars
USA	195	230	126	1,790
Great Britain	131	160	98	700
France	128	206	105	680
West Germany	125	136	131	400
Italy	142	124	141	270
Japan	131	36	49	150

Source: Economic Stabilization Board Annual Economic Report , 1952, page14.

Once autonomy was restored to Japan, it became necessary to expand imports necessary for economic growth to achieve a self-sustaining economy by promoting exports and stabilizing the fluctuating international balance between revenues and expenditures and accumulating the foreign currency which was in such short supply. It was necessary, accordingly, to raise the level of industry to compete internationally, but doing that, in its turn, required importation of foreign technology and inexpensive resources and fuels from abroad. Since foreign currency was necessary for rationalizing industry, strict foreign currency regulation was instituted, but because of excessive import restrictions, Japan was faced with a dilemma of either encouraging the rise of domestic prices or the danger of impeding economic development.

Just how strict foreign currency controls were at that time is graphically described in the economic white paper published in 1954 when the deflationary policies were effected. "The goal is improvement of the balance of international payments. It is necessary to curtail imports and constrain domestic purchasing power in order to achieve that goal....While it may not be reasonable to reduce the people's income, the discretionary portion of that income should be limited as much as possible...For example, in cooking or in drinking coffee, if each person would economize by one spoonful of sugar per day, it would reduce the import burden by 10,000,000 dollars per year. That would increase by that amount the margin for increasing imports of materials for heavy industry."

This was not the only problem Japan had to deal with following restoration of its autonomy. There were demands for reparations from the nations of Southeast Asia, demands from the

United States to repay subsidies and strengthen Japan's self-defence capabilities, and there was the major problem of rapid population growth following the war resulting from the return of large numbers of overseas demobilizees and the baby boom. The pressure of an increasing population pushed up consumption and it was considered necessary to have approximately 40,000,000 dollars in foreign currency if Japan were to rely on imports for the necessary foodstuffs and raw materials for textiles. Finally, there was a major problem of securing sufficient employment consequent upon the increase in the population of workers of productive years.

In order to achieve economic self-reliance in a true sense while solving these problems, it was vital that the balance of international payments (excluding procurements and assistance) be stabilized. The necessary foundation for that was a revision of foreign currency income and expenditures by an expansion of exports in order to attain an expanded equilibrium. Consequently, the first consideration in realizing that was to extend exports, and that could only be achieved by improving international competitiveness of industry. Conditions for actualizing an expansion of exports centered on textile production in the above-mentioned pre-war pattern no longer existed, so it became necessary to cultivate new export industries. The reformation of industrial competitiveness, even regarding industries that could not reasonably be expected to turn to exports for the immediate future, called for industries to decrease imports by increasing self-sufficiency within the domestic market. In order to improve international industrial competitiveness and achieve the goal of reforming trade payments, it was essential to raise labour productivity. However, because that would lead to the reduction of employment, it would increase social unrest. Therefore it was necessary to implement both labour productivity and expansion of employment simultaneously. In its turn that meant nothing less than to expand to a sufficiently large-scale economy and in this way to attain economic autonomy, promote exports and the pursuit of economic growth through improvement of industrial competitiveness that would serve as a base of exports. All this became major issues in government policy.

In retrospect, these problems had been virtually worked out by the end of the 1950s. The fundamental condition that made it possible to expand exportation which brought forth a stabilized balance of international payments was that Japanese industry, within the context of difficult conditions in overseas markets, came to possess the competitive strength necessary to compete internationally. This was due to continuous, active investment by industries and enterprises toward the goal of modernization and rationalization, i.e., they were able to lower production costs through ordinary technological innovation.

In this sort of industrial growth, appealing to economy in consumption and encouraging savings in the household economy, government economic policies giving priority to investment played a major role. As a result, in comparision with other it was possible to evaluate Japan of this period as having developed an economic structure committed more to constructing facilities rather than to consumption (especially individual consumption).

It was of great consequence that government policies aiming at rationalization of industry cultivated enterprises which intended to export. The reason for this was that while keeping a close eye on the global trend toward liberalization of trade, the various policies which aimed at improving the international balance of payments anticipated an active movement toward industry for exportation, seeking not merely to perpetually and one-sidedly protect domestic industry but, as an absolute minimal requirement, to enable domestic industry to withstand pressure from imported goods when markets were liberalized in the short term. For this reason, a variety of incentives were provided to contributors to export. These included allotting foreign currency necessary for importing raw materials and equipment, extension of government funding, and reduction of tax burdens through the establishment of exemptions to tax laws. The attainment of export competitiveness was a means of receiving from the government advantageous shelters and forms of assistance. In other words, government policies for fostering and favouring industry prompted the rationalization of industry, rather than dampening the desire to rationalize.

Within this framework, this group of policies aimed at directly promoting exports fulfilled the role of extending the exports of industry and enterprise. A wide variety of measures were implemented to maintain export systems, open markets, reduce the risks that accompany export transactions, and encourage the activity of exporters. A side effect of this was that it also rationalized industry, and jointly both contributed to accomplishing economic self-reliance, leading Japan's economy down the road of high growth.

The Evolution of Government Policies Promoting Exports

Once autonomy was established, Japan concluded commercial treaties and agreements with various nations, in order to return to its place within the international economy and society. Moreover, it was granted admission to the International Monetary Fund and the GATT, a precondition for Japan's pursuit of realizing government policies for improving exportation.

However, Japan was not immediately able to find markets for its products as a result of admission alone. As a result of thorough-going measures to dissolve the big financial combines (zaibatsu), the trading companies had been weakened considerably, and foreign branches of exchange banks were unprepared to carry out full-fledged operations. Diverse countermeasures were necessary to cope with the assorted promotion problems that stood in the way of the expansion of exports, and export promotion policies of the 1950s can be roughly divided into three large groups. First was the policy aimed at establishing exportation systems which was fundamentally an assortment of legal measures concerning export/import transactions. The second was implemented to carry out the development of markets, including the establishment of the forerunner of the Japan External Trade Organization (JETRO), promotion of plant exportation, and furthering of economic cooperation. The third was a series of measures aimed at reducing the risks of export-related businesses and furthering the accumulation of capital, including a variety of tax exemptions and the establishment and expansion of export insurance. Following is a synopsis of these measures.

Export Transactions Law and Exportation System

Japan became painfully aware of the necessity for sustaining an export system when discriminatory import restrictions vis-a-vis Japan became an issue during negotiations over commerce and navigation treaties and trade agreements with nations including Australia, India, New Zealand, and Great Britain. Because of Japan's intent to expand trade, it was necessary, whatever the cost was, to abolish these discriminatory measures, and because of this, Japan placed great expectations on joining GAIT.

Although Japan was formally accepted as a member nation in September 1955, membership did not bring with it abolishment of discrimination. Fourteen nations including Great Britain withheld the extension to Japan of most-favored-nation status by invoking article 35 of the GAIT agreement. The reason for this was a deep-rooted distrust and fear of Japan, left over from Japan's aggressive dumping practices in the exporting of textiles during pre-war years. Moreover, when private commercial trade resumed in 1949, there was criticism that Japan was once again engaging in unfair competition such as dumping and there developed movements to restrict imports via increased duties. Invocations of article 35 reflected a distrust of Japan, and that diminished the significance of admission to GATT. As a result, the removal of discrimination against Japan became thereafter a major issue of economic diplomacy, but at the same time, in order to eradicate the distrust of Japan, it was concluded that it was necessary to establish an "orderly" export system.

In general, however, it was difficult to expect harmony among enterprises, and even if it were possible, there was a chance that agreements between enterprises would come in conflict with the Anti-Monopoly Law. For that reason, in August 1952, systems for export transactions were established among domestic business circles, and in order to promote exportation from a long-term view, trading enterprises were authorized to form export unions, and the Export Transaction Law was enacted to cover the restricted activities which were excluded from the Enterprise Organization Law and the Anti-Monopoly Law. Upon the basis of this law, export unions were able to obtain authorization from the Minister of International Trade and Industry. They got the ability to arrange matters concerning price, quality, and other conditions for export transactions. Quantities were as well they aim being to prevent abuses due to excessive competition in exports.

In 1953 when revision of the Anti-Monopoly Law became an issue, the Export Transaction Law was revised and collaboration in uniform conditions was also recognized for import transactions, and the law was renamed the Export and Import Transaction Law. At the same time, in reference to export transactions, agreements which had previously been allowed only among exporters were newly permitted in special cases between exporting enterprises and manufacturers and sales enterprises. Further revisions included provisions concerning "preventive cartels," when there was fear that there would be confusion in establishing dealings in new markets as a result of excessive export competition, and "counteractive cartels," when it became necessary to deal with third-party cartels, and within certain conditions outsider regulations were recognized.

However, because the Fair Trade Commission applied strict conditions to the cooperative activities stipulated by the Export Transaction Law, the intent of this 1953 revision was left unrealized, and up until the end of March 1954 the export-related agreements reached on the basis of this law numbered merely four. Also in this period, the "responsible export system," being considered by the iron and steel industry as a policy for promoting exports, was abandoned due to commission opposition. In regard to the commercial policy of sustaining the orderliness of trade transactions, limitations from the perspective of eliminating unfair dealings and eliminating cooperative activities as stipulated by the Anti-Monopoly Law were clearly apparent.

Commencing around 1954, the maintenance of "orderly marketing" became an issue because of excessive competition resulting from sudden increases in inventory and the number of exporters flooding the scene, and from this sprang intense, low-priced exportation. Strengthening of the Export and Import Transaction Law, which extended exemptions, became necessary, and in 1955 it was revised once again. As a result, the limitations on grounds for concluding agreements concerning exports were abolished, the system concerning agreements on export transactions was revised from the one of authorization to the one of notification, so-called manufacturers' agreements were authorized, and it became possible for exporters, manufacturers, and sales enterprises to conclude agreements within their respective trades, and for each of these three kinds of enterprises to conclude agreements with the other two. In addition, the establishment of import-export associations whose main objective was the regulation of exports and imports with special regions was sanctioned. There were many other significant revisions including strengthening punishments for enterprises that carried out unfair export transactions and easing conditions for invoking outsider restraining orders.

As a result of this revision, it became possible to enact agreements for the maintenance of orderly export marketing, comparatively free of the restrictions of the Anti-Monopoly Law. The number of agreements based on the law increased by leaps and bounds. About 200 agreements between cartels reached in 1965 were exempted from the Anti-Monopoly Law. Despite the major revision of 1955 and the resulting epoch-making increase in sanctioned cartels, the attempt to restrict imports gained even more momentum thereafter on the heels of dumping exports of Japanese goods and the rapid increase of exports. A third revision of the Export-Import Transaction Law was carried out in June 1957, followed by numerous other revisions.

During this period, in 1954 the plan that was drafted under instructions from Prime Minister Yoshida was formally announced as the New Export Plan and it called for realizing exports in the amount of 1.74 billion dollars by 1957. The special characteristics of this plan were that it designated those industries which were deemed "export appropriate," meaning that they could be expected to expand exports and employment of a system of export goals. The government also established an export council within the Cabinet (called the “supreme export council”) as an organ for implementing promotion of exports in order to realize this New Export Plan as well as industry-specific export councils. Under difficult short-term circumstances it became urgent to take such countermeasures as the revision of the Export-Import Transaction Law aimed at regulating advantages and disadvantages by creating a government-private sector coalition and devising practical ways to actually realize the export goals. That is to say, the purpose was to give substantive provisions to the export cartels, which were to be authorized by the 1955 revision of the Export-Import Transaction Law, the same effectiveness as agreements between manufacturers had. For the present it was supposed to be done through the export councils

Partially as a result of this, although the Export Council was quite active until the middle of 1955 centering on the industry-specific export councils and product-specific committees, these activities were of a transitional charactere and were retarded by revision of the Export-Import Transaction Law. Later, in 1962, it was reorganized as a deliberative council in order to carry out its role as a place where government and non-government bodies could coordinate purposes in the cause of export promotion. This then deliberated over establishment of semiannual export goals and measures for attaining those goals.

While orderly marketing was being maintained in this way, various regulations concerning export trade were mitigated. On the contrary, there simultaneously coexisted some situations in which exports needed to be regulated. A representative case in this respect was America's attempt to restrict the import of Japanese textiles. These Japanese exporters faced criticism for dumping from their counterparts in other nations. It was considered a serious impediment to the development of a healthy trade relationship and promotion of exports. This was because of the fact that the reduction in prices through export competition caused Japanese goods to lose reputation and created hardships in expanding exports. For that reason, for example, consideration was given to the establishment of temporary measures to prohibit exports and purchasing systems in order to stabilize prices. In 1955 the problem of exporting textiles to America came to the surface. In order to cope with the import restriction movement vis-a-vis Japan within the United States, beginning from 1956 the Ministry of International Trade and Industry(MITI) implemented restriction on the amount of exports in an attempt of an orderly expansion of textiles export to that country.

As seen above, sudden expansion of exports, subjected to criticism which was at times quite severe, brought forth reaction from producers in other nations, developing into issues of investigations of dumping and raising of duties, and export restrictions were brought into effect as countermeasures to this. Like problems of trade friction, symbolized by the Japan-U.S. textile negotiations, there later followed issues concerning the regulation of exports of steel, household appliances, automobiles, and semi-conductors.

Opening of Overseas Markets

In the process of opening overseas markets, early emphasis was placed on gathering market information and public relations. In the Occupation period when passage abroad and establishing overseas branch offices were strictly controlled, because information concerning foreign markets, which was essential in trading, was extremely scarce, it was inevitable that the promotion of trade assumed a trial-and-error character. Thereupon in February 1951 the corporate juridical person Overseas Market Research Organization, predecessor of the Japan External Trade Organization (JETRO), was established in Osaka to investigate overseas markets. Because state subsidies for overseas research operations assisted designated operations, it was troubled by the accounting increases within management that accompanied the expansion of such operations, and in terms of market survey activities it was unable to dispatch even overseas resident fact finders.

Because of this, the MITI in its fiscal 1954 budget requests asked for export promotion funding for the purpose of "expanding and strengthening the functions of trade offices, advisory offices for heavy machinery and technology, and overseas market research groups in order to devise ways to open markets abroad." As a result, in addition to the increased allocation for endowments and state subsidies for the organization's operations, its scope was greatly broadened to include such activities as international trade fairs, overseas public relations, and go-between trade services.

Later in 1958 this organization was reformed again as a special juridical person to play "a pivotal role in trade promotion" and in July of that year it embarked formally as the Japan External Trade Organization (JETRO). Thereafter through expanding Japan Trade Centers as overseas bases collecting information, and surveying the previously mentioned movement to restrict imports of Japanese goods, establishing the Japan Design House, and setting up trade consultation offices and trade information centers, JETRO acted to provide the information necessary to domestic manufacturers concerning the export market, hence playing a vital role in sustaining trade promotion policies.

On the other hand, among the measures to promote export of plant facilities related to the much anticipated promotion of exports of heavy equipment seen as a new area of export industry to meet the potential needs of the industrialization of Southeast Asian nations, in December 1952 the Japan Machinery Export Union based on the 1952 Export Transaction Law was formed, and within that union a Heavy Machinery and Technology Consultation Office was established supported with government subsidies. This office permanently stationed technicians in Asia and in Central and South America, which were considered to be prime markets for heavy machinery and established service functions for Japanese heavy machinery in the cause of expanding exports. However, since the heavy machinery office was attached to the Japan Machinery Export Union, its character was ambiguous. Because private sector funding to counterbalance state subsidies was lower than the amounts estimated, it was unable to adequately carry out its duties.

In order to resolve these issues, eleven related manufacturers from the electric appliance and industrial machinery industries formed a body and established the Association for Plant and Technology Exports as a foundational juridical person. This association set the following issues as its goals: to implement (1) technical consulting concerning plants and exports of heavy equipment, (2) cooperation in setting up and estimating heavy machinery export plants, (3) cooperation in inquiries and subsequent servicing of heavy equipment export plant, (4) surveys and research of overseas industrial development, development of electric power, industrialization projects, and machine projects, (5) facilities for gathering the necessary information for operating enterprises, and (6) introducing, and advertising the Japanese heavy machinery industry in other countries. The central focus of these activities was consulting operations, and thereby stimulating the import of facilities from Japan by prospective customers overseas.

However, despite the association's consulting activities and, commencing around 1958, an increase in the number of transaction, there occurred pledges for plant exports where results did not measure up to expectations. The reasons for this were that in contrast to offering the active extension of government loans and beneficial conditions of deferred payments in advanced nations, the Japan side was slow in responding, and its comparison in terms of international competitive pricing and technical reliability was rather unfavourable for Japan. This was the reason of why government subsidies to the Plant Association were increased and in 1959 the Law on Extraordinary Measures for the Promotion of Plant Exportations was enacted. Due to these efforts, finally in the 1960s the association got on the right track, and between its foundation and the end of 1971, it sent over 400 technological survey teams abroad, primarily to Southeast Asia, prepared 787 estimates (of which 103 were successful), and recorded 444 billion yen in sales.

In connection with this exportation of plant, what was important in this period was the resolution of the problem of reparations and the promotion of economic cooperation with the nations of Southeast Asia. In addition to the reparations that the Philippines, Indonesia, Burma, and Viet Nam demanded from Japan, it was decided to promote voluntary economic and technological cooperation correspondingly to Laos and Cambodia. These various reparations negotiations continued from 1955 to 1960 and reached a tentative resolution with signing the respective accords. By means of these negotiations, Japan, upon the principles set forth in the San Francisco Peace Treaty, continued to adhere to the course of policy of providing not monetary reparations but reparations primarily in the form of services, and energetically tackled this problem in order to restore normal commercial relationships. This happened because in Southeast Asia, which prior to the war had had close commercial and trade relations with Japan, there were countries endowed with raw resources essential for the development of Japan's economy and because it was viewed as a significant market for export goods.

In this sense it was MITT that displayed an especially positive position concerning settlement of the reparations issue, and in May 1958 the document was submitted in which it was stated that Japan "should not assume a position of merely passively settling its obligations based on the demands of other nations" and emphasized that "by means of sincere and positive implementation of reparations and accompanying economic cooperation to other countries, our nation can anticipate securing a stable market for heavy industry products and the cultivation of an import market for raw materials for manufacturing and may reasonably place hopes on openings for prospective investments." This view, through the payment of reparations by provision of Japanese goods and services, took the actual form of cooperation with those nations' plans for economic development and government policies for industrialization and was steadily carried out. Excepting external economic cooperation related to the issue of reparations, the development of economic cooperation was limited during the 1950s, and it had been inefficient in developing export markets until the 1960s and thereafter. In the context of a strict foreign currency situation, coming to grips with economic cooperation which accompanied the export of capital was not easily realized. However, it was painfully obvious that to promote exports it was necessary to activate economic cooperation and open markets, so toward the end of the 1950s development of close relations with areas which were expected to be future markets was pursued through economic cooperation. On the one hand, in concrete form, beginning with 1957 investment was started outside of the Asian region with the aim of cooperating with development of overseas resources in three major projects of Arabian petroleum, Alaskan pulpwood, and the Ujiminas steel plant. On the other hand, as a result of the Japan Export-Import Bank Law revision, overseas investment and overseas financial services were expanded and provision of technology and financial services were augmented. Also, commencing with Prime Minister Kishi's Asian Development Foundation plan, the Southeast Asia Development Foundation was established, and this was taken over by the Overseas Economic Cooperation Fund in 1961. Within this context, in 1958 yen loans were established, the first being government direct loans to India, and in order to cooperate in India's second five-year plan, long-term credit amounting to 18 billion yen over three years was made available for the construction of railway facilities and electric plants.

Export Inspection System and Enactment of the Export Design Law

Measures that played an important role related to the opening of export markets were those which accelerated improvement of the quality of Japanese goods. This was because one of the obstacles to the expansion of exports was high level of overseas customers discontent with the quality of Japanese products. Hence, in order to improve product quality, an inspection system for export products was instituted based on the 1948 Export Goods Control Law. This law underwent several revisions, and in 1951 mandatory inspections by non-government agencies commenced. In 1953 with the view of guaranteeing fairness in inspection while items subjected to inspection were increasing, improvements were made by rectifying registration standards for inspection agencies, making inspections distinctly impartial and putting operational regulations on an authorization basis.

However, there was an absolute deluge of export-oriented Japanese goods and later a problem of imitation goods, in particular a crisis brought about by the problem of inferior fountain pens at the exhibition and spot sale of Japanese products in the autumn of 1956 in Peking. This was the direct occasion for the promulgation of the Export Inspection Law in 1957, whose objective was to improve the quality of export goods and strengthen the inspection system. The gist of this law was as follows. (1) To make mandatory export inspection of goods designated by government ordinance by either government institutions or duly authorized non-government agencies. (2) To set up respective inspections of quality, packaging, materials, and production. (3) To appoint inspection agencies through an application procedure and supervise the approved agencies to ensure that they carry out fair inspections in a manner that serves the public interest. (4) To provide cessation orders and criminal charges against enterprises which export illegally.

While progress was being made in the inspection system in order to raise product quality levels, a new problem developed. This was the intensification of the problem of design imitation among Japan's exported goods, and complaints from abroad concerning copying of designs amounted to 63 cases in 1957, counting formal complaints alone. In this context, the Export Goods Design Law was enacted in 1959 in order to prevent the imitation of designs in export goods and to provide healthy development of export trade. Unless the design and trademarks of those commodities specifically designated by government ordinance were approved by the authorized agencies, they were not eligible for exportation.

Export Insurance and Export Financing System

The export insurance system was established in March 1950 by the Export-Credit Insurance Law. From that year till 1957, emphasis was made on the establishment of new varieties of insurance, but after 1958 emphasis shifted to qualitative improvements of the existing systems. Among the new varieties created was secondary insurance as part of the 1951 countermeasures for the promotion of plant exports. In 1953 the previous classification and appellations were revised to become ordinary export insurance, export fee insurance, export financing insurance, and overseas advertising insurance. Thereafter there were created commission sales export insurance (1954), the overseas investment insurance system (1956), and overseas investment profit insurance (1957).

From around this time, revisions of various types of insurance eliminated restrictions on the scope of compensation and applicable geographical regions. Especially in 1957-1958 as part of emergency measures to improve settlement of international accounts, the export insurance system was reformed from the viewpoint of promoting exports. Qualitative improvements were made in existing insurance such as (1) lowering insurance rates on exportation charge insurance, (2) abolishing the re-insurance system on ordinary export insurance and lowering rates, (3) clarifying the security risk in regular export insurance, and (4) making amendments to the list of commodities to which export finance insurance would be applicable. From its start in 1950, the number and total amounts of export insurance taken out as regular export insurance increased favorably.

In the realm of finance as well, with the Bank of Japan as a focus, various means were evolved to promote exports and chief among these were the system of export advance bills, and in addition to it - export financing from the Export-Import Bank of Japan. Of these, under the system of export advance bills (export trade bills), export representative organizations issued bills with the lowest interest rates comparable to loans secured with government bonds. In the system of loans against negotiations of export usance bills, the Bank of Japan issued bills against exports which could be used at exchange banks to borrow yen funding. By providing easy credit to exporters through the former system and to overseas importers through the latter system, both aimed at promoting exports.

The Export-Import Bank of Japan shouldered the burden of long-term financing in such areas as plant exportation rather than providing short-term capital involved in trade transactions. This was the departure point of the Export Bank of Japan when it was established in December 1950 and financial operations for import were added in 1952 when it was renamed into the Export-Import Bank of Japan. However, the clarification of that role came in 1953 with the realization of (1) the abolition of the 5-year-term system of operations, (2) addition of overseas investment and financing of overseas enterprises, (3) expansion of the parameters of export finance operations, (4) expansion of import finance operations, (5) lengthening of funding terms, (6) relaxing the rigid bases of export-import financing, and (7) the commencement of foreign exchange operations. This was part of exportation promotion policy aimed at coping with foreign currency crises. Later, in 1957, in line with the funding of large-scale projects such as that for Alaskan pulp and the Minas steel plant, overseas investment financing operations were expanded. There were some problems in long-term financial operations related to economic assistance as a result of coordination with operations of the Overseas Economic Cooperation Fund, and it was not until the second half of the 1960s that financial operations connected with plant exports anticipated by the Export-Import Bank of Japan achieved major expansion.

Development of Export Promotion Tax System

Such steps as special taxation measures for the promotion of exports were anticipated to serve as support for trade promotion vis-a-vis the trading companies which had grown weak. Strengthening their constitution proved to be a vital objective. In con terms, this commenced in the

1953 tax system revision which authorized an export earnings exemption system, a system for export lost funds, and a special amortization system for assets allotted to overseas branch offices, thereafter centering on expansion of the export earnings exemption system. Of these, the system of exemptions for export earnings gave a tax advantage to those who carried out export transactions, 1% of income in case of trading companies, 3% in case of manufacturers, and 5% of the transaction amount for plant export, and to each respectively it was permitted to include as a loss the lower figure between the total amount or 80% of the income from the export transaction. However, a system aimed at encouraging the export supervisor's accumulation of capital was reexamined under pressure from criticism that it would violate the GATT. As a result, while the export promotional taxation system was expanded by such measures as the technology export earnings exemption (1959), and the export progressive amortization system (1961), the export earnings exemption system was abolished in 1964 in anticipation of joining the OECD and the move to the 8-member IMF. Instead new systems for funding the opening of overseas markets and covering losses incurred in overseas investments were established. Various tax incentives were provided to export transactions, including the recognition of export contributing enterprises' proportional amortization in 1968 based on the export contributing enterprises authorization system which commenced in 1964. All this fostered Japanese enterprises which had a strong desire to export.