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1. Introduction

This article will elucidate to the extent possible in what way and to what degree each export promotion policy measure in Japan proved effective in the light of its policy objective.

To begin with, there is not necessarily an established opinion regarding the effects of Japan's industrial policy or export promotion policy measures on the nation's economic growth or export expansion. For instance, while Chalmers Johnson in his "MITI and the Japanese Miracle" ¹ applauds "Japan's policies including her double tier banking system, fiscal investment and advance, export promotion measures, fierce competition among different lines of banks, comprehensive regulation of foreign currency and the preferential tax system for businesses for which Japan was referred to as businessman's paradise", for having had the effects of greatly contributing to her post-war high growth", Toshimasa Tsuruta contends that "Japan owes her high growth, sophistication of industrial structure and strengthening of export competitiveness realized in the 1960s largely to the price mechanism which functioned almost satisfactorily and to the voluntary choice of businesses and their adaptive capacity rather than her industrial policy" ² and that government intervention often had the adverse effect of impairing proper functioning of the market mechanism.

The major reason for this great difference in evaluation lies in the difficulty

to quantitatively measure the effects of an economic policy. For example, assuming that a policy had the effect of expanding exports of a certain product, it is possible to quantify how much its external competitiveness has been enhanced in terms of price aspect, but it would be difficult to isolate and quantify the effect if it were such factor as improvement of product quality (for instance by improvement of the export product inspection system). Another reason is the diverse policies for exploitation of overseas markets being deployed, one on top of the other, such as improving the information collection system and strengthening the trading firms, so that their effects also overlap. Also, although the industry designated as a priority industry by government intervention may enjoy expansionary effect, such a policy usually has a negative effect on the growth of nonpriority industries because they are not allocated the resources which should have been allocated to them, and it is extremely difficult to measure whether the balance of those opposing effects implies positive or negative function of the policy toward export expansion and economic growth. What is more, if the economy is a closed one, resource allocation according to the market mechanism may theoretically be considered optimal; but the reality is that resource allocation which "ought" to be implemented domestically is regulated by actual conditions of competing industries existing abroad, and it is not necessarily sure that allocating resources according to the market mechanism within one country alone will in fact result in optimum allocation. Carrying the logic to extremes, if a country lacks any industry with international competitiveness, the most effective policy may presumably be to preferentially develop an industry which is anticipated to have the highest value-added and the largest trickle-down effect.

The analysis in this paragraph is limitative, but as a first step, data on monetary value, number of cases handled or extent of business expansion, as well as their effects discussed for each type of business or product category will be analyzed for each policy item of the export promotion policy, as far as possible. The period of time examined in this paragraph is from

around 1950 when export promotion measures began to be consolidated until around 1970.

2. Export Financing

As a policy financing for promoting export, the export bill system and the loaning system pledged on foreign exchange by the Bank of Japan and export financing by the Export-Import Bank of Japan (EXIM) are available. While the former two systems mainly provide short term export financing, the scheme by the EXIM Bank provides long term financing for marine vessels, industrial plants and the like. Tables 1 through 3 show estimated interest reduction effects respectively for each of these three schemes, while Table 4 shows the ratio of the sum of interest reduction and the outstanding balance of loans against the amount of exports. Since loans for exports of marine vessels accounted for the largest share of loans accommodated by the EXIM Bank, Table 5 shows the ratios of interest reduction to profit before tax for the four major shipbuilding companies.

The interest rates of these three financing schemes were considerably low. Loans under the export bill financing scheme was changed at 1 to 3% lower and loans under the foreign exchange loaning scheme 4 to 5% lower (which difference declined to the 2% mark since 1965) than the interest for "other loans (or discounts) on bond" in the case of the Bank of Japan. The interest charged for the export financing loans of the EXIM Bank was also lower by 4 to 5% compared to the domestic long term loan interest rate of the Long Term Credit Bank of Japan. The scheme which was utilized from the very start was the export bill system, but the amount of loans (or discounts) did not grow much. Instead, loans pledged on foreign exchange grew since around 1960 presumably because the interest rate was lower than other similar short term loans. The growth of export financing by the EXIM Bank, a long term financing scheme, was also remarkable. Of course the amount of Japanese exports itself had grown remarkably during this period,

and this was accompanied by a growth in the amount of such schematic loans and discounts. A review of the ratios of the combined total outstanding balance of loans and discounts to total exports during each year shows that the rate of loan utilization increased yearly from around 10% in the latter half of the 1950s to 36% in 1970.

Next, let us see how much interest was saved by those low interest bearing loans. As shown in Table 4, the total amount of interest reduction is estimated to have been around 0.5% to 1.0% of the total export values since 1955, which is not necessarily large as export subsidies. However, just as financing by the EXIM Bank was concentrated on exports of marine vessels and industrial plants, the effects of those low interest bearing loans are considered to have been different for each type of industry. Thus, it would be unreasonable to disregard this point and judge the effects of those low interest bearing loans merely in terms of the ratio of interest reduction to the total amount of export. In view of this, Table 5 reviews the effects of financing by the EXIM Bank for the four representative shipbuilding companies of Japan as an example. The figures are only for fiscal years 1965 and 1967, but the Table shows that the amount of interest reduction estimated from the outstanding balance of loans extended to each of the companies by the EXIM Bank accounted for 40 to 65% of the net profit before tax of each of three companies other than Mitsubishi Heavy Industries whose shipbuilding segment was outweighed by other business segments, and it is apparent from this that the profits of these three companies would have been approximately halved were it not for the low interest bearing loans made available by the Export-Import Bank of Japan. Also, as shown later in Table 12, the effect of interest reduction as a result of financing by the EXIM Bank alone amounted to around 5% of marine vessel export value since around 1960. As of 1958-1959, "ship prices of Japan were 5 to 6% lower compared to those of Western rival countries"³ and since the lowness of ship prices was the major factor which caused Japan's marine vessel exports to expand, we may conclude that low interest financing had

played a big role along with other export promotion measures.

As above, it may be pointed out that the salient features of Japan's policy-guided export financing during this period were, firstly, as an export subsidy, its total amount was not necessarily large; secondly, as witnessed by the expansion of export financing by the EXIM Bank, low interest bearing loans, were provided to strategic industries such as marine vessels, rolling stock and other plants on a priority basis which were considered to have had an expansionary effect on exports by its action of marginally lowering the prices of those industries; and thirdly, it had complemented financing of areas involving long credit term and large unit size loans which were difficult for private financing due to the size of the required fund and risks involved.

3. Export Promoting Taxation System

There are negative views with respect to the effectiveness of the export promoting taxation system on the grounds that the amount of concession corresponds to a subsidy of only around 1% of the total amount of exports as shown in Table 6. ("Foreign Trade and Direct Investment" by Motoshige Ito and Kazuharu Seino, "Industrial Policy of Japan" edited by Komiya et al.). It may certainly be so claimed as long as the amount of tax concession is compared to the total amount of exports, but when one considers the fact that the largest objective for introducing this system was to strengthen the trading firms, an examination of its effect by type of trade is considered necessary. This is because each of the diverse export promotion measures has its own specific field which it intends to protect and foster on a priority basis, and it is necessary to clarify what sort of effect each of them has had on its respective target field or type of trade. Tables 7 and 8 list the data on the effects of the export promoting taxation system by type of trade only at a certain point of time between May 1959 through 1960. Table 7 reviews the ratio of deductions resulting from the Exceptions to Tax

Laws to the total income of major corporations by type of trade. The trades with a high ratio of export income deduction were fisheries, rubber product manufacturing, commerce, transportation equipment manufacturing, etc. In contrast, precision instrument and machinery manufacturing, textile and metalworking may be said to have mainly utilized the deductions made available by other exceptions to the tax laws. As the data of these tables are in relation to the total incomes of businesses including domestic incomes, they do not indicate the weight of export income deductions relative to export itself. Table 8 reviews just this. According to this table, as far as some 100 and odd enterprises are concerned, more than half of their export incomes have been deducted, and furthermore, such trades as commerce, rubber product manufacturing, flour milling, metalworking, printing, oil and coal product manufacturing and marine transport have received 80 to 90% deductions, which means that as far as export is concerned, they were almost totally exempted from taxes. It is worthy of special note that particularly the trading firms which provided the occasion for inducing this system were still enjoying preferential treatment even at this point in time.

Accordingly, although the export promoting taxation system in Japan had little effect as a subsidy to substantially reduce export product prices, we can justifiably say that it had brought about a major effect in revamping the corporate strength of trading firms which was its initial objective and, as the same time, made a certain contribution to export promotion by favoring exports in terms of taxes.

4. Export Insurance

The export insurance system, unlike export subsidies, does not directly affect prices but contributes to export promotion by its indirect effect of having the government take over all risks involved in export. Especially during this particular period when development of the nonlife insurance system in the private sector was still inadequate in Japan and the condition

was such that evaluation of risks involved in export was difficult, the effects of such a government insurance system are considered to have been great.

As seen in Table 9 the export insurance system was gradually expanded and strengthened mainly around ordinary export insurance, and the amount insured steadily grew. By fiscal 1970, the total amount insured was more than half of all export values. Although "more than half" may not quite accurate because insurance began to be set up at many stages concerned with export as the system improved, it is apparent that the demand for this system was high in view of the fact that the utilization of the general export insurance, which was the core of this system, grew as far as to account for 20 to 30% of export values.

In order to avoid duplication, general export insurance only was taken up in Table 10 and its contents examined for changes. Its first salient feature is that blanket insurances on important export products carry an overwhelmingly large weight while individual insurances have only a small weight. Secondly, among blanket insurances, the amount of insurance especially on marine vessels greatly exceeds the actual export value. For export of marine vessels which are strongly characterized as manufacturing to orders, the minimization of risks under this insurance is considered to have had a large export expanding effect. The blanket insurance on rolling stock is another with an almost similar coverage to that on ships. The blanket insurance on machinery and equipment under a special contract with the Japan Machinery Export Association is applicable to plant exports, but excluding ships and rolling stock already covered by blanket insurances, and when compared with the value of plant exports excluding the aforesaid two items, its coverage has been high 50 to 80% since 1960. The export proceed insurance which commands a utilization rate next only to general export insurance covers mainly the risk in collecting bills for plant exports, and if this insurance is combined, the export insurance system during the said period may be considered to have been largely characterized as having been applied

to strategic export industries such as marine vessels, rolling stock and plants which are the fields where the amounts involved are large and risks were relatively difficult to evaluate. In this sense, the significance of the existence of said system may be considered to have been far greater than its weight in the total export value.

5. Export Product Inspection System

The export product inspection system was established in 1948 as the "Export Product Control Act" in order to enhance overseas evaluation of Japanese export products and thus promote exports, and the system was improved after a number of revisions since. The 1951 revision paved the way to compulsory inspection by private agencies but the number of inspection agencies of a third party nature was small. Because of this, the inspections were not always fair and just. An on-the-spot inspection by a government agency (the Industrial Product Inspection Institute) in fiscal 1952 exposed many violations of the rules. There was also severe competition in the overseas markets which led to dumping at low prices. The government feared that such a situation would give the export destinations an excuse to raise tariffs and decided on a drastic revision of the system in 1953. (See Vol.6, "A History of MITI Policies").

As seen in Table 11, the 1953 revision became the turning point toward a sharp decline in the percentage rate of troubles, and the evaluation of Japanese products began to rise gradually. The November 1956 survey conducted through Japanese embassies and legations abroad disclosed an increased number of comments like "the quality of most products has been remarkably improved compared to the prewar years or just several years ago" (Los Angeles) or "the recent evaluation of Japanese products is gradually improving and driving away the bad reputation of "cheap but poor" of years ago" (New York). ("Overseas Criticisms Against Japanese Export Products" by the Foreign Exchange Study Society). On the

other hand, however, there were not a few criticisms like "the users, reliance on Japanese products is low,... and for products of the same specifications, the general tendency (in Iran) is not to order Japanese products unless the price is more than 20% lower than comparable Western products", and the occasion of the inferior quality fountain pen issue in the fall of 1956 led to the establishment of the Export Inspection Law by the overall revision of the Export Product Inspection Act.

It is difficult to numerically measure the effect of the export product inspection system, but as the declining percentage rates of troubles as seen in Table 11 shows it is considered to have had a favorable effect in promoting exports by improving the quality of Japanese products.

6. Short Summary

The results of the foregoing examination may be summarized as follows.

Firstly, the direct price reduction effect cannot be said to have been large when seen in terms of its total amount because even when the interest reduction effect of export financing and the amount of tax reduction made possible by the export promoting taxation system were combined, they accounted for only about 2% of total export value. However, both export financing and the export promoting taxation system were applied to strategic industries with priority, and in the case of marine vessel exports and the like, these systems are considered to have had the effect of lowering export prices at least by a few percentage points than is they were to utilize ordinary long term financing of the private sector, and were important elements in supporting the lowness of Japanese product prices in the arena of international competition.

Secondly, as an indirect export promoting effect, the significance of the fact that the government had taken over the risks associated with overseas

export may be claimed not to have been small as seen by the improvement of the export insurance system and expansion in the amount of its utilization. This system was also applied to such strategic industries as marine vessels and plants on a priority basis, and as these were fields that were difficult to be insured by domestic and foreign nonlife insurance companies during the period concerned, the development and operation of such an export insurance system is considered to have had a large effect in enhancing the export-mind of those type of industry and to have expanded exports, though complementarily. On export financing, too, its effect on the business behavior of business enterprises which were given for ready access to financing based on government policy for export items, for which private financing was difficult to obtain, seems to have been even greater than the price reducing effect mentioned as the first item.

On the whole, the fundamental nature of Japan's direct export promotion measures was not so much as to encourage a flooding of huge subsidies which might have impeded rather than strengthened competitiveness. Its largest characteristic lay in having a major effect in leading and orienting strategic export industries toward export expansion by lessening financial burdens and risks associated with exports. Of course, as mentioned earlier in this paragraph, there seems to be some room for further examination as to whether the aforesaid characterization still applies when the effects of various other policies were considered in combination.

- (Notes)
1. Chalmers Johnson, 1982, *MITI and the Japanese Miracle - The Growth of Industrial Policy 1925 - 75*. (Translated into Japanese under the editorial supervision of Toshihiko Yano, 1982, TBS Britanica). pp.259 - 262 of translated version.
 2. Toshimasa Tsuruta, "The High Growth Era" (Chapter 2, "The Industrial Policy of Japan" edited by Ryutaro Komiya, Masahiro Okuno and Kotaro Suzumura, February 1984, Tokyo University Printing Society) P.76.

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3. Shintaro Hayashi, "Discussions on Japan's Machinery Exports", 1961, p.142.

※ This article is the revision in a few points of my work "significance of Export Promotion Systems" (2.2, "Export Promotion policy – Lessons from Japanese Experience –" edited by Engineering Consulting Firms Association, March 1991).

Table 1 Estimated Effect of Export Financing - (1) Effect of the Bank of Japan Export Bill System

(Units in ¥100 million and % p.a.)

FY	Bank rates (TOKYO)		BOJ ordinary rates		BOJ export bill (discount)				BOJ export bill (loan)			
	Discount (A)	Loan (B)	Discount (C)	Loan (D)	Discount rate (E)	(F)=C-E	Outstanding balance of discount (G)	(H)= G×F/100	Discount rate (I)	(J)=D-I	Outstanding balance of loan (K)	(L)= K×J/100
1951	9.50%	9.30%	5.11%	5.84%	5.11%	0.0%	281	0	5.84%	0.0%	9	0
1952	9.33	9.04	5.84	6.57	5.84	0.0	159	0	6.21	0.36	4	0.01
1953	9.26	8.95	5.84	6.57	5.84	0.0	140	0	6.21	0.36	8	0.03
1954	9.26	9.05	5.84	6.57	5.84	0.0	260	0	6.21	0.36	31	0.11
1955	8.89	8.72	5.84	6.57	5.84	0.0	119	0	6.21	0.36	4	0.01
1956	8.37	8.19	7.30	8.03	5.84	1.46	112	1.63	6.21	1.82	27	0.49
1957	8.85	8.53	7.67	8.40	6.21	1.46	160	2.34	6.57	1.83	80	1.46
1958	8.42	8.21	8.40	9.13	5.84	2.56	156	3.99	6.21	2.92	42	1.23
1959	8.16	8.09	6.94	7.67	5.11	1.83	186	3.40	5.48	2.19	37	0.81
1960	8.08	8.08	7.30	8.03	5.48	1.82	177	3.22	5.84	2.19	44	0.96
1961	8.23	8.19	6.57	7.30	4.75	1.82	231	4.20	5.11	2.19	104	2.28
1962	8.12	8.07	7.30	8.03	4.38	2.92	241	7.04	4.75	3.28	191	6.26
1963	7.60	7.71	6.21	6.94	4.02	2.19	250	5.48	4.38	2.56	215	5.50
1964	8.00	7.98	6.57	7.30	4.02	2.55	355	9.05	4.38	2.92	392	11.45
1965	7.46	7.67	6.21	6.94	4.02	2.19	355	7.77	4.38	2.56	584	14.95
1966	7.17	7.46	5.48	6.21	4.02	1.46	402	5.87	4.38	1.83	619	11.33
1967	7.17	7.43	5.48	6.21	4.02	1.46	481	7.02	4.38	1.83	768	14.05
1968	7.22	7.45	6.21	6.94	4.02	2.19	631	13.82	4.38	2.56	886	22.68
1969	7.49	7.65	5.84	6.57	4.02	1.82	765	13.92	4.38	2.19	1,242	27.86
1970	7.53	7.76	6.25	6.75	4.25	2.00	997	19.94	4.50	2.07	1,304	26.99

(Notes) (1) The bank interest is the mean annual rate effective during the month of December each year (according to "The Centennial History of the Bank of Japan" Data Book pp.428-430). Other rates are as of the end of March of each year.

(2) Outstanding balances are as of the end of March of each year. (Ditto, pp.324-325).

(3) BOJ discount rates and loan rates are the highest rates.

Table 2 Estimated Effect of Export Financing - (2)BOJ System of Lending Pledged on Foreign Exchange

FY	BOJ ordinary loan rates (A)	Loan rates on foreign exchange (B)	Outstanding balance of loans of foreign exchange (C)	(D)=A-B	(E)=C×D/100
	% p.a.	% p.a.	¥100 million	%	¥100 million
1951	5.84		0		0
1952	6.57		0		0
1953	6.57	1.83	16	4.74	0.76
1954	6.57	1.83	57	4.74	2.7
1955	6.57	1.28	164	5.29	8.7
1956	8.03	2.34	177	5.69	10.1
1957	8.40	2.92	297	5.48	16.3
1958	9.13	1.82	345	7.32	25.3
1959	7.67	2.55	531	5.12	27.2
1960	8.03	4.01	526	4.02	21.1
1961	7.30	2.92	803	4.38	35.2
1962	8.03	2.555	1,522	5.475	83.3
1963	6.94	2.555	1,978	4.385	86.7
1964	7.30	2.555	2,889	4.745	137.1
1965	6.94	3.65	3,829	3.29	126.0
1966	6.21	3.65	4,417	2.56	113.1
1967	6.21	3.65	4,083	3.29	134.3
1968	6.94	3.65	6,066	3.29	199.6
1969	6.57	3.65	8,543	2.92	249.5
1970	6.75	4.00	11,601	2.75	319.0

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(Notes) (1) BOJ ordinary rate refers to "other" rates of loans secured on paper.

(2) For BOJ rates of loans pledged on foreign exchange, the rates on U.S. dollar among currencies were used when the rates differed as a normal practice.

Table 3 Estimated Effect of Export Financing - (3) Export Financing by the Export-Import Bank of Japan

(Units in ¥100 million and % p.a.)

FY	Average loan rates of the Long Term Credit Bank of Japan (A)	Loans by EXIM Bank (B)	EXIM Bank loan rates (C)	Effective rates D=C/B	Balance of Rates E=A-D	Outstanding balance of EXIM Bank export loans F	Amount of loan reduction G=F×E/100
	%	¥100 million	¥100 million	%	%	¥100 million	¥100 million
1951	9.891	40.18	4.08	10.154	-0.263	69.80	-0.18
1952	9.891	62.85	5.29	8.417	1.474	55.90	0.82
1953	9.891	75.13	4.34	5.777	4.114	93.98	3.87
1954	9.953	170.60	9.37	5.492	4.461	244.9	10.92
1955	9.953	347.3	17.02	4.901	5.052	437.4	22.10
1956	10.256	541.7	26.2	4.837	5.419	622.1	30.53
1957	9.490	637.1	29.2	4.583	4.907	575.1	28.22
1958	9.384	649.2	28.1	4.328	5.056	541.4	27.37
1959	9.391	801.3	30.5	3.806	5.585	720.6	40.25
1960	9.340	1173	52.5	4.476	4.864	1,000	48.64
1961	9.366	1695	72.4	4.271	5.095	1,477	75.25
1962	9.260	2298	98.9	4.304	4.956	1,957	96.99
1963	9.136	3018	129	4.274	4.862	2,565	124.71
1964	8.986	3971	174	4.426	4.560	3,349	152.71
1965	8.917	4928	221	4.485	4.432	3,865	171.30
1966	8.745	6217	272	4.375	4.370	5,006	218.76
1967	8.457	8033	356	4.432	4.025	6,255	251.76
1968	8.377	9969	466	4.674	3.701	7,575	280.35
1969	8.311	12016	580	4.827	3.484	9,371	326.49
1970	8.320	14556	736	5.056	3.264	11,370	371.12
		Average of the beginning and end of the period figures					

- (Note) (1) (A): according to the targets of financial and monetary statistics. (B): according to the "History of Thirty Years" of the Export-Import Bank of Japan.
- (2) Loan (B) is the average at the beginning and the end of each period according to the balance sheet.
- (3) (C): according to the statement of profit and loss.

**Table 4 Estimated Effect of Export Financing - (4) Estimated Total Amount
of Interest Reduction and its Ratio to Export Value**

(Units in ¥100 million)

FY	Table 1		Table 2	Table 3	Total amount of loan reduction	Ration to total export value	Total outstanding amount of loans and discounts	Ration to total export value
	H	L	E	G	¥100 million	%	¥100 million	%
1951	0	0	0	-0.18	-0.18	0.00	360	7.4
1952	0	0.01	0	0.82	0.83	0.02	219	4.8
1953	0	0.03	0.76	3.87	4.66	0.10	258	5.6
1954	0	0.11	2.7	10.92	13.7	0.23	593	10.1
1955	0	0.01	8.7	22.10	30.8	0.43	737	10.2
1956	1.63	0.49	10.1	30.53	42.7	0.47	938	10.4
1957	2.34	1.46	16.3	28.22	48.3	0.47	1,112	10.8
1958	3.99	1.23	25.3	27.37	57.9	0.56	1,084	10.5
1959	3.40	0.81	27.2	40.25	71.7	0.58	1,475	11.9
1960	3.22	0.96	21.1	48.64	73.9	0.51	1,747	12.0
1961	4.20	2.28	35.2	75.25	116.9	0.77	2,615	17.1
1962	7.04	6.26	83.3	96.99	193.6	1.09	3,911	22.1
1963	5.48	5.50	86.7	124.71	227.9	1.16	5,008	25.5
1964	9.05	11.45	137.1	152.71	310.3	1.29	6,985	29.1
1965	7.77	14.95	126.0	171.30	320.0	1.05	8,633	28.4
1966	5.87	11.33	113.1	218.76	349.1	0.99	10,444	29.7
1967	7.02	14.05	134.3	251.76	407.1	1.08	11,587	30.8
1968	13.82	22.68	199.6	280.35	516.5	1.11	15,158	32.5
1969	13.92	27.86	249.5	326.49	617.8	1.07	19,921	34.6
1970	19.74	26.99	319.0	371.12	737.1	1.06	25,272	36.3

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(Note) (1) H, L, E, G are the same as shown in Table 1, 2 and 3 and show the estimated amount of interest reduction under the respective system.

**Table 5 Estimated Effect of Financing by the Export-Import Bank
of Japan for the Major Shipbuilding Companies**

Company name	Outstanding balance of EXIM Bank loans	Fiscal 1965 (Estimates)		A/B	Outstanding balance of EXIM Bank loans	Fiscal 1967 (Estimates)		D/C
		Amount of interest reduction (A)	Net profit before tax (B)			Amount of interest reduction (C)	Net profit before tax (1)	
	¥100 million	¥100 million	¥100 million	%	¥100 million	¥100 million	¥100 million	%
Ishikawajima- Harima Heavy Industries	426.7	18.9	39.8	47.5	1122.7	45.2	70.2	64.4
Hitachi Shipbuilding	290.1	12.9	29.4	43.9	474.9	19.1	29.1	65.7
Mitsui Shipbuilding	200.0	8.9	17.8	50.0	418.6	16.8	39.9	42.1
Mitsubishi Heavy Industries	699.8	31.0	161.8	19.2	963.8	38.8	334.6	11.6

(Source) Figured out from the Negotiable Securities Report of each company. The amount of interest reduction was estimated by multiplying the outstanding balance of EXIM Bank loans of each company (average of the figures at the beginning and the end of the term) by the rate of interest reduction shown in Table 3.

Table 6 Effect of the Export Promoting Taxation System (1)

(Units in U.S. \$ million and %)

FY	Total amount of tax reduction by the Export Promoting Taxation System (A)	Total amount of tax reduction by the Exceptions to Tax Laws Act (B)	(A) / (B)	Total export value (C)	(A) / (C)	Rate of export subsidies in Korea
1953	13.1	162.5	8.0	1,275	1.0	—
1954	11.1	191.7	5.8	1,629	0.7	—
1955	9.7	259.4	3.7	2,011	0.5	—
1956	12.5	264.7	4.7	2,501	0.5	—
1957	20.8	204.2	10.2	2,853	0.7	—
1958	34.7	197.5	17.6	2,877	1.2	2.3
1959	27.8	229.7	12.1	3,456	0.8	2.5
1960	31.9	280.8	11.4	4,055	0.8	1.9
1961	30.6	284.7	10.4	4,236	0.7	6.6
1962	59.7	349.4	17.1	4,916	1.2	16.5
1963	65.3	471.1	13.9	5,452	1.2	15.1
1964	66.1	596.7	11.1	6,673	1.0	12.8
1965	68.3	613.3	11.1	8,452	0.8	14.8
1966	72.5	650.3	11.1	9,776	0.7	19.0
1967	71.6	635.8	11.3	10,442	0.7	23.0
1968	104.2	720.8	14.5	12,972	0.8	28.1
1969	139.7	879.3	15.6	15,990	0.9	26.1
1970	210.8	1,040.8	20.3	19,318	1.1	27.8

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Prepared from the Tax Commission, "Collection of Materials and Data Related to the Tax Commission", March 1963 issue, pp.422-423, May 1972 issue, p.187; Economic Planning Agency, "Economic Handbook", issues of each year: C.R. Frank et al., South Korea, National Bureau of Economic Research, 1975, pp.70-71.

- (1) The export promoting taxation system refers to accelerated depreciation for export, special deduction of overseas income, reserve for exploitation of overseas market and other provisions.
- (2) The rate of export subsidies in Korea is obtained by dividing the total amount of export subsidies by the total amount of export, provided that export subsidies refer to the direct subsidies paid, domestic taxes exempted, import duties exempted, and government aid for subsidizing interest burden.

(Source) Papers by Ito and Seino, p.148, "Industrial Policy of Japan" edited by Komiya et al.

Table 7 Effect of the Export Promoting Taxation System (2)
Utilization Status of the Export Promoting Taxation System By Major Corporations by Type of Trade

Type of trade	For business year ended between May 1969 and October 1969				For business year ended between November 1969 and May 1970			
	No. of companies	Special deduction of export income	Other exceptions to Tax Laws	Total	No. of companies	Special deduction of export income	Other exceptions to Tax Laws	Total
Food manufacturing	10	1.9%	3.8%	5.7%	14	1.6%	3.4%	5.0%
Textile industry	5	5.6	20.0	25.6	6	5.6	21.6	27.2
Chemical industry	10	2.9	13.0	15.9	11	4.9	11.4	16.3
Pharmaceuticals manufacturing	6	1.1	7.9	9.0	7	1.6	3.1	4.7
Rubber products manufacturing	1	18.1	-16.4	1.7	1	13.3	-17.4	-4.1
Earthenware manufacturing	5	4.0	5.8	9.8	5	2.6	12.7	15.3
Metalworking	7	6.2	22.8	29.0	7	4.3	39.2	43.5
Electric machinery and appliance manufacturing	5	2.0	5.2	7.2	5	2.0	13.8	15.8
Transportation equipment manufacturing	12	7.5	10.4	17.9	12	11.0	11.4	22.4
Precision machinery and instrument manufacturing	3	1.0	15.7	16.7	3	1.0	7.1	8.1
Commerce	7	13.6	-9.4	4.2	8	9.8	6.9	16.7
Fisheries	1	18.2	51.1	69.3	5	33.8	29.3	63.1
Total including other trades	136	3.1	16.5	19.6	145	4.1	17.5	21.6

(Source) Prepared from "Collection of Materials and Data Related to the Preliminary Report of the Tax Commission (Part 1)", April 1961, pp.524-529.

(Note) * The ratio when the total income assuming no extraordinary tax measures were available was deemed as 100%. Types of trade whose utilization rate of export income special deduction is less than 1% were excluded.

Table 8 Effect of the Export Promoting Taxation System (3)

No.	Type of trade	No. of co.	For business year ended between May 1969 and October 1969			No. of co.	For business year ended between November 1969 and May 1970		
			Export income deduction (A)	Export income (B)	(A) / (B)		Export income deduction (C)	Export income	(C) / (B)
1	Metal mining	4	17,407	32,095	54.23%	4	10,141	15,830	64.06%
2	Coal mining	1	58	72	80.00	-	-	-	-
3	Flour milling	2	2,518	2,794	90.12	2	2,088	2,355	88.66
4	Food mfg.	8	143,492	408,014	35.16	11	146,107	436,108	33.50
5	Textile industry	7	650,082	1,279,084	50.82	8	828,498	1,855,238	44.65
6	Paper & pulp industry	4	19,196	44,929	42.72	6	23,090	29,663	77.84
7	Chemical industry	6	67,097	110,665	60.63	7	160,545	216,691	64.08
8	Pharmaceuticals manufacturing	6	30,893	81,623	37.84	7	34,087	61,501	55.42
9	Oil & coal product mfg.	2	21,549	23,504	91.67	3	39,003	45,510	85.70
10	Rubber product mfg.	1	4,693	5,163	90.89	1	12,482	13,667	91.33
11	Earthenware mfg.	5	166,914	497,487	33.55	5	145,255	507,074	28.64
12	Printing	1	642	738	86.99	1	688	789	87.19
13	Metalworking	8	867,286	1,115,391	77.75	8	821,977	993,201	82.76
14	Electric machinery & appliance mfg.	8	454,958	1,061,827	42.84	8	517,960	1,094,222	47.33
15	Transportation eqt. mfg.	15	1,528,048	2,201,532	60.32	14	2,025,328	3,923,652	51.66
16	Precision machinery & instrument mfg.	2	11,389	26,856	42.40	2	10,560	29,019	36.38
17	Machinery mfg.	3	11,411	40,162	28.41	3	12,530	56,544	22.15
18	Commerce	14	666,330	742,780	89.71	15	707,929	776,943	91.11
19	Marine transport	2	20,061	21,655	92.63	-	-	-	-
20	Gas supplying	1	711	2,022	35.16	1	1,020	2,394	42.60
21	Department stor	1	796	1,927	41.31	2	2,298	3,461	66.39
22	Movie film prod'n	4	12,563	45,635	27.52	4	35,992	61,293	58.72
23	Fisheries	1	104,325	114,245	91.31	5	1,027,927	1,689,917	60.82
24	Metal product mfg.	-	-	-	-	1	6,926	10,375	66.75
	Total	107	4,602,419	7,860,200	58.55	118	6,572,461	11,825,447	55.57

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(1) The source is the same as the preceding table. Prepared from pp.624-627, op.cit.

(2) Prepared for companies with export incomes during the business years concerned out of 199 companies selected from each type of trade.

Table 9 Amount of Export Insurance Utilized (Insured Amount)

(Units in ¥ million)

FY	Total amount	General export insurance	Export proceed insurance	Export bill insurance	Export financing insurance	Consignment export insurance	Overseas advertisement insurance	Overseas investment principal insurance	Overseas investment profit insurance	Overseas investment insurance	Export value
		(Type A) (Effective from June, 1950)	(Type B) (Effective from March, 1951)	(Effective from August, 1953)	(Type C) (Effective from May, 1952)	(Effective from April, 1954)	(Type D) (Effective from June, 1952)	(Effective from April, 1956)	(Effective from June, 1957)	(Effective from May, 1970)	
1950	24,042 (8.1)	24,042 (8.1)									295,200 (100)
1951	13,773 (2.8)	13,308 (2.7)	465				0.4				487,800 (100)
1952	2,345 (0.5)	994 (0.2)	719		632		9				458,280 (100)
1953	32,698 (7.1)	28,136 (6.1)	2,497	361	1,695	49	31				459,000 (100)
1954	70,483 (12.0)	49,508 (8.4)	14,349	1,801	4,744	21	33				586,440 (100)
1955	94,630 (13.1)	68,880 (9.5)	16,829	2,577	6,292	21	42	956			723,960 (100)
1956	111,186 (12.3)	75,826 (8.4)	24,204	6,346	3,791	21	0	331			900,360 (100)
1957	121,634 (11.8)	90,480 (8.8)	10,498	12,904	3,216	5	0	182	0		1,027,080 (100)
1958	167,596 (16.0)	108,003 (10.4)	36,394	20,543	2,454	19	2	75	1		1,035,720 (100)
1959	172,435 (13.8)	114,578 (9.2)	30,360	25,020	2,386	13	2	2,047	0		1,244,160 (100)
1960	310,245 (21.6)	196,713 (13.4)	71,713	37,417	2,342	14	1	902	0		1,459,800 (100)
1961	394,308 (25.8)	253,218 (16.6)	94,639	42,867	2,646	28	9	580	0		1,524,960 (100)
1962	442,519 (25.0)	268,677 (15.2)	117,658	53,533	1,994	77	0	1,334	0		1,769,760 (100)
1963	728,036 (37.1)	535,493 (27.3)	123,689	65,833	1,564	121	0	1,192	7		1,962,720 (100)
1964	818,334 (34.1)	527,419 (22.0)	190,395	97,199	2,037	84	0	4,067	0		2,402,280 (100)
1965	1,128,769 (37.1)	747,226 (24.6)	254,768	119,666	2,894	106	41	1,377	0		3,042,720 (100)
1966	1,317,394 (37.4)	865,321 (24.6)	294,001	153,443	2,762	392	97	2,291	0		3,519,360 (100)
1967	1,681,346 (44.7)	852,552 (22.7)	633,488	189,692	2,899	388	36	2,276	0		3,759,120 (100)
1968	1,809,061 (38.7)	861,753 (18.5)	698,541	242,847	3,270	302	71	4,998	4		4,669,920 (100)
1969	2,459,046 (42.7)	1,148,309 (19.9)	979,792	322,774	2,862	200	107	1,071	2	20,356	5,756,400 (100)
1970	3,708,008 (53.3)	1,889,399 (27.2)	1,381,291	413,143	2,495	124	126				6,954,480 (100)

(1) Prepared from "MITI Annual Report" for each year.

(2) Export values based on the data book of "The Development of Modern Japanese Economy", Economic Planning Agency.

Table 10 Coverage Rates of Exports by Item Under the Ordinary

Export Insurance (Units in ¥100 million and %)

FY	Amount covered by individual insurance	Amount covered by blanket insurance of cotton yarn and cloth	Ratio to cotton yarn and cloth exports	Amount covered by blanket insurance of man-made yarn and fabric exports	Ratio to man-made fiber yarn and fabric exports	Amount covered by blanket insurance of woolen goods	Ratio to woolen goods exports	Amount covered by blanket insurance of rolling stock	Ratio to rolling stock exports	Amount covered by blanket insurance of plant & equipment	Ratio to plant exports	Amount covered by blanket insurance of ship	Ratio to ship exports	Amount covered by blanket insurance of footwear	Ratio to footwear exports	Amount covered by blanket insurance of electric wire	Ratio to insulated wire exports
						Effective from October 1959				Effective from July 1957		Effective from December 1960		Effective from April 1962		Effective from July 1965	
1955	45	362	39.6%	202	33.3%			80	102.0%								
1956	17	344	32.7	250	29.2			86	83.6								
1957	51	448	36.1	315	32.2			78	64.4	14	1.2						
1958	63	333	31.1	262	32.3			48	55.6	N.A.	—						
1959	77	494	44.4	317	42.0			28	52.1	227	25.0						
1960	61	479	32.9	321	35.9	41	17.4	131	168.1	579	86.2	357	34.5				
1961	74	433	31.6	348	37.3	93	72.5	230	187.9	739	68.7	616	60.5				
1962	112	424	32.1	412	44.0	138	51.3	98	42.8	457	50.3	1062	125.0	22	7.4		
1963	136	433	36.5	437	39.8	118	35.5	153	84.7	763	59.3	2291	187.3	31	12.9		
1964	141	414	34.4	524	39.0	189	47.3	218	240.1	1042	68.6	1970	111.5	26	8.9		
1965	441	377	32.4	669	40.3	226	42.4	111	78.4	1503	82.4	3406	126.5	9	3.0	41	38.1
1966	221	369	33.1	808	39.6	195	31.1	323	216.0	1747	84.3	4425	149.3	8	2.4	35	23.7
1967	758	347	37.2	868	40.2	265	44.5	140	60.4	2154	68.8	3325	94.0	6	1.5	89	65.4
1968	453	323	35.8	1080	40.5	272	33.8	118	45.8	1733	49.9	3203	82.1	5	1.1	30	18.1
1969	244	251	29.6	1281	38.4	275	30.7	112	48.8	2463	49.1	3723	90.9	5	1.0	61	29.0
1970	309	248	34.0	1473	39.1	220	22.6	251	96.3	3101	51.7	9474	186.7	3	0.7	49	16.1

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- (1) Omitted blanket insurances of textile products (effective from April 1963), iron & steel (effective from 1969), galvanized plate (effective from January 1969), cotton material product (effective from January 1969) and special steel (effective from November 1970).
- (2) Amounts insured are based on "MITI Annual Report" of each year, and the export values are based on the "White Paper on Foreign Trade and Commerce" of each year.
- (3) For plant export values, figures based on export licenses actually issued on plants and the like were used after subtracting the export amount of rolling stock and, from 1960 onward, also export amount of ships. From 1966 onward, figures based on export licenses actually issued on machinery and the like were used after subtracting the figures for the aforesaid two items.
- (4) The export amount of man-made yarns and fabrics is the total of export amounts of synthetic fiber yarns, rayon yarns, staple fiber yarns, synthetic fiber fabrics, rayon fabrics and staple fiber fabrics.

**Table 11 Export Inspection Statistics of National Inspection Institutes
(On-The-Spot Inspection Statistics of Government Agencies)**

FY	Grand total		Industrial Manufactures Inspection Institute		Textile Products Inspection Institute		MAF Export Products Inspection Institute		National Institute of Hygienic Sciences (Enterprise Division, Pharmaceutical Affairs Bureau, Ministry of Health & Welfare)		District Maritime Bureaus and District Land Transport Bureaus of the Ministry of Transport	
	No. of cases inspected	% troubles	No. of cases inspected	% troubles	No. of cases inspected	% troubles	No. of cases inspected	% troubles	No. of cases inspected	% troubles	No. of cases inspected	% troubles
1951	47,559	11.9	16,305	20.4	7,064	17.5	23,224	4.7	891	3.4	75	0.0
1952	53,213	14.6	16,369	20.7	4,782	11.9	20,992	3.0	874	3.2	257	12.1
1953	54,105	3.9	19,405	3.1	4,969	5.9	28,764	4.2	589	3.7	378	0.0
1954	48,879	4.3	17,562	2.7	4,005	4.6	26,561	4.5	544	14.5	207	0.0
1955	44,925	4.8	16,654	4.9	4,838	8.7	23,407	3.9	26	0.0	0	-
1956	42,081	4.5	15,228	3.2	4,234	7.6	22,345	4.9	53	0.0	221	0.0
1957	35,602	3.9	16,737	3.7	4,794	4.0	13,983	4.1	18	0.0	70	0.0
1958	19,610	3.9	12,775	4.9	4,548	0.0	2,227	6.9	58	0.0	2	0.0
1959	24,315	2.8	14,309	3.3	6,120	0.0	2,289	8.5	45	0.0	1,552	0.5
1960	24,915	2.1	15,749	2.4	6,983	0.07	2,133	6.2	50	0.0	-	-
1961	26,158	2.0	16,594	2.0	6,428	0.01	3,099	6.2	37	0.0	0	-
1962	22,822	1.9	13,467	2.4	7,187	0.0	2,140	5.4	28	0.0	0	-
1963	29,749	1.1	29,605	0.8	7,211	0.0	1,887	8.8	43	0.0	0	-
1964	30,213	0.9	21,776	0.8	6,613	0.0	1,824	4.7	0	-	0	-
1965	32,175	0.8	24,113	0.4	5,946	0.0	2,048	7.9	0	-	0	-
1966	35,899	1.0	26,119	0.6	7,552	0.0	2,161	8.4	47	0.0	0	-
1967	38,244	1.1	28,224	1.0	1,151	0.0	1,817	8.0	43	0.0	0	-
1968	43,144	1.1	32,168	1.3	8,637	0.0	2,305	7.0	24	0.0	10	20.0
1969	43,551	0.6	33,512	0.5	8,536	0.0	1,470	5.4	24	0.0	9	11.1
1970	48,265	0.4										

(1) Prepared from "MITI Annual Report" for each year.

(2) For FY 1952, total between April 1952 and January 1953. (Totals up to the end of January for the Industrial Manufacture Inspection Institute and District Maritime Bureaus)

Table 12 Effect of Export Promotion Measures by Type of Trade (Marine Vessels)

FY	Outstanding balance of EXIM Bank export financing (A)	Rate of interest reduction on EXIM Bank financing	Amount of interest reduction on EXIM Bank financing	Export value of ships	Ratio to export value of ships
	¥100 million	%	¥100 million	¥100 million	%
1951	27	-0.263	-0.07	59	-0.1
1952	25	1.474	0.37	39	0.9
1953	32	4.114	1.32	359	0.4
1954	114	4.461	5.09	203	2.5
1955	296	5.052	14.95	281	5.3
1956	454	5.419	24.60	936	2.6
1957	410	4.907	20.12	1266	1.6
1958	364	5.056	18.40	1205	1.5
1959	404	5.585	22.56	1288	1.7
1960	523	4.864	25.44	1037	2.4
1961	696	5.095	35.46	1019	3.5
1962	932	4.956	46.19	847	5.5
1963	1,311	4.862	63.74	1223	5.2
1964	1,909	4.560	87.05	1766	4.9
1965	2,381	4.432	105.53	2692	3.9
1966	3,251	4.370	142.07	2963	4.8
1967	4,170	4.025	167.84	3537	4.7
1968	4,936	3.701	182.68	3903	4.7
1969	6,080	3.484	211.83	4094	5.2
1970	7,172	3.264	234.09	5075	4.6

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(1) Figures in (B) same as in (E) of Table 3.

(2) $C = A \times B / 100$