Question 1

Why did Japan not report special depreciation benefits under the Mechatronics Investment Promotion Tax system for small business that purchase or manufacture certain products including industrial robots and numerically controlled machine tools?

Answer

This tax system was established in 1984 with a view to increasing the productivity and modernizing management skill in respect of small enterprises and to accomplishing industrial structure in harmony with international economic circumstances. It gives special depreciation benefits by 30 per cent or tax credit by 7 per cent to small enterprises when they purchase mechatronics machines and computers for the operation. It also aims at expanding domestic demand by stimulating plant and equipment investment of small businesses and hence contributes to promote import of these machines. Furthermore favourable depreciation benefits or tax credit (36 per cent and 8.4 per cent, respectively) are given in case of imported machines.

The programme is not intended to increase export. It rather contributes to increase import of mechatronics machines as mentioned earlier, and, therefore, we do not consider that this tax system is notifiable in terms of the subsidy of Article XVI:1.
Question 2

Why did Japan not report the Japanese Development Bank loans to large businesses for certain types of capital investment for the manufacture of products designated by MITI (including industrial robots and numerically controlled machine tools)?

Answer

The Japanese Development Bank does not have such a loan system as mentioned by the United States.

Question 3

Why did Japan not report the funds to the Scientific Computer Research Association under the High-Speed Scientific Computer Project sponsored by MITI's Agency of Industrial Science and Technology (AIST)?

Answer

"High Speed Computing System for Scientific and Technological Uses", the project to which the United States referred, has been established for the purpose of the R&D to realize super computers in the future. It consists of basic research and developments on several new devices (Gas Field Effect Transistor Device, High Electron Mobility Transistor Device and Josephson Junction Device) as well as on Parallelism Description Language and Computer Architecture.

The project, however, is not related to any subsidy to companies. It is a national project under which basic research and development is entrusted to companies. The selection of companies to be entrusted is made by means of public offerings. In addition, the knowledge produced by the project is disclosed to the public for utilization.

Therefore, we believe the project does not fall within the meaning of subsidy of Article XVI:1 of the General Agreement.