

GENERAL AGREEMENT
ON TARIFFS AND
TRADE

ACCORD GENERAL SUR
LES TARIFS DOUANIERS
ET LE COMMERCE

RESTRICTED
LIMITED C

GATT/CP.3/41
9 June 1949

ORIGINAL: ENGLISH

CONTRACTING PARTIES

Third Session

WITHDRAWAL FROM AGENDA OF ITEM 12 "MOST-FAVORED-NATION
TREATMENT FOR OCCUPIED AREAS".

Letter from Mr. Woodbury Willoughby, Chairman of the United States delegation, to Mr. Dana Wilgress, Head of the Canadian delegation, Chairman of the Contracting Parties.

"Owing to technical difficulties which result from pressure to finish substantive items of the present agenda at the earliest possible date, the United States Delegation has been instructed to request withdrawal from the agenda for this session of GATT item 10, most-favored-nation treatment for Occupied Areas.

When the United States proposed this item for the agenda it intended to urge the conclusion of an agreement according, on a reciprocal basis, most-favored-nation treatment to Japanese trade during the occupation period. The withdrawal of this item should not be interpreted as a diminution of the major importance which the United States attaches to this objective. The United States is anxious to secure the fullest cooperation of all governments to this objective which it considers so eminently reasonable and in line with the commercial policy principles which all Contracting Parties have espoused. Accordingly the United States intends to continue to urge strongly other governments to make the desired assurances.

In the course of informal discussions earlier this year a number of Contracting Parties indicated that in their opinion consideration of

a proposal for m-f-n treatment for Japanese trade should follow the establishment of an exchange rate in Japan. The United States Delegation wishes to point out that on April 25, 1949 an official exchange rate of 360 yen to the dollar was put into effect in Japan.

The United States Delegation also wishes to stress the fact that significant progress has been made in Japan during the past six months in the field of financial reform. The 1949-50 budget of the Japanese Government is for the first time a consolidated balanced budget. Subsidies for domestic production and consumption are to be held to the irreducible minimum and a definite policy has been adopted against all subsidies for export. Provision has been made within the past six months for the entrance of foreign capital and foreign investment in Japan. Constant effort has been extended to eliminate handicaps of the foreign businessman.

The United States believes that it is to the mutual advantage of the United States and other countries that:

(1) There be such recovery in Japan's foreign trade as will permit attaining a minimum self-supporting status for the Japanese economy.

(2) The development of Japanese trade be along sound economic lines in the context of a multilateral trading system, thus contributing to a general expansion of world commerce.

(3) There be an avoidance of discriminations against Japanese trade which would create the basis for dangerous economic and political frictions in the future.

The United States believes that an assurance on the part of the leading trading countries of adherence, on a reciprocal basis, to the most-favored -nation principle in trading with Japan during the period of occupation would be advantageous to all concerned. It is important to the occupying authorities in directing the proper rehabilitation of the Japanese economy and it is important from the standpoint of the

American people in the light of the heavy burden of Japanese support that they have assumed along with the burdens they are called upon to bear in other parts of the world for general economic recovery.

The United States is confident, with respect to the alleged fear of a return to unfair competition, which has been voiced by some, that during the period of occupation the occupying authorities will do everything possible to prevent such practices. It believes that the established policy of pricing Japan's exports at world market prices and the demonstrated readiness of the occupation authorities to consult with respect to alleged dissatisfactions fully justify this confidence.

In conclusion, the United States wishes to emphasize its hope that the Contracting Parties will give careful consideration to the desirability of ensuring, on a reciprocal basis, most-favored-nation treatment for Japanese trade."