

London, England
September 26, 1949

Working Party 10 on New Tariff Negotiations

STATEMENT BY THE UNITED STATES REGARDING ACCESSION OF
JAPAN TO THE GENERAL AGREEMENT ON TARIFFS AND TRADE

Four years after Japan's surrender it is obvious that if the Allied objective of developing the growth of a peaceful Japan with a self-supporting economy is to be achieved, a substantial revival in Japan's foreign trade must occur. It is in the interest of the world trading community that this growth in Japan's foreign trade occur within the framework of those rules which the major trading nations have accepted as most desirable for the conduct of foreign trade. Although the Supreme Commander has ensured Japan's observance of the General Agreement on Tariffs and Trade principles during the occupation, the inclusion of Japan in the third round of tariff negotiations and Japan's accession to the General Agreement on Tariffs and Trade would give the Contracting Parties further assurance of the development of Japan's post-war trade policies along sound economic lines in conformity with multilateral principles set forth in the General Agreement.

The Contracting Parties would also receive from Japan quid pro quo for all obligations assumed and concessions made and would share in the advantages of an expanding trade. In addition, Japan's accession to the General Agreement would tend to aid in the economic recovery of Japan. Failure to bring Japan into international arrangements for the conduct of trade on a mutually advantageous and expanding basis retards the achievement by Japan of a self-supporting position and to this extent perpetuates the heavy burden which Japan imposes both on the United States and on the world economy generally.

Certain developments suggest the timeliness of Japan's becoming a participant in the General Agreement on Tariffs and Trade. Under the economic stabilization program for Japan, among other things, the Occupation Authorities have established a single rate of exchange for the yen which places Japan's foreign trade transactions on a rational basis. This step has eliminated any implicit export subsidies which may have resulted from the previous multiple exchange rate system. In addition, import and domestic price subsidies have been reduced and those retained are clearly disclosed in the budget. Further progress in the rational development of Japan's foreign trade would follow from Japan's accession to the General Agreements on Tariffs and Trade.

The inclusion of Japan in the framework of the General Agreement on Tariffs and Trade would contribute to the political stability of the Pacific area and of the world. It will do this by increasing the scope of a mutually beneficial expansion of trade under fair methods of operation. The contrary course with all its implications may breed serious resentment and political dissatisfactions. There

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has been raised the pertinent question in this connection of the international legal status of Japan. For the reasons given in the attached Annex, in the opinion of the United States Government there is no reason of a legal character which would bar Japan from becoming a party to the General Agreement.

In summary, the United States believes that economic and political considerations lead to the conclusion that the Contracting Parties should invite Japan to participate in the third round of tariff negotiations and that no legal obstacle precludes this course of action. Successful negotiations with Japan would direct the development of Japan's commercial policy consistently with the promotion of non-discriminatory, multilateral trade, and would give the Contracting Parties a means of redressing commercial grievances against Japan. Further, in so far as Japan would participate in the advantages ensuing from the broadening of the scope and coverage of the General Agreement on Tariffs and Trade, encouragement would be given to Japan's peaceful development and adherence to democratic institutions.

ANNEX

So far as the international legal status of Japan is concerned, there is no lack of authority with capacity to undertake binding commitments for Japan nor, in the opinion of the United States, is there any reason of a legal character which would bar Japan from becoming a party to the General Agreement. The General Agreement on Tariffs and Trade provides in Article XXXIII that a government not party to the General Agreement or a government acting on behalf of a separate customs territory possessing full autonomy in the conduct of its external commercial relations and of the other matters provided for in the Agreement may accede to the General Agreement on Tariffs and Trade, on its own behalf or on behalf of that territory. Some combination or combinations of authority possess such capacity on behalf of the separate customs territory of Japan.

The Supreme Commander for the Allied Powers has full authority to permit the Japanese Government to participate in the third set of tariff negotiations and eventually to become a member of the General Agreement. In the basic post-surrender policy for Japan, FEC-014/9 June 19, 1947, the nations composing the Far Eastern Commission agreed that one of the ultimate objectives in relation to which policies for the post-surrender period for Japan should conform was "to bring about the earliest possible establishment of a democratic and peaceful government which will carry out its international responsibilities, respect the rights of other states, and support the objectives of the United Nations," (Part I, Paragraph 1-B) and that "eventual Japanese participation in world trade relations will be permitted" (Part I, Paragraph 1-D). Finally, the Supreme Commander was directed to exercise his authority through Japanese Government machinery and agencies "to the extent that this satisfactorily furthers the objectives and policies stated herein" (Part II, Paragraph 2).

In accordance with this policy the Supreme Commander authorized the adherence of Japan to the Contracting Parties without objection from the Far Eastern Commission. As a matter of fact, the Supreme Commander has entered into many trade and financial arrangements on behalf of occupied Japan.

So far as the other provisions of the General Agreement on Tariffs and Trade are concerned, it should be noted that Article XXIX, Paragraph 1, of the General Agreement on Tariffs and Trade requires the Contracting Parties to observe the principles, not the procedural requirements (including qualifications for membership) of the International Trade Organization. In the amended version of Article XXIX, certain chapters of the Charter of the International Trade Organization dealing with organization, including Article 71, are specifically excluded. Thus, without prejudice to the question whether Japan could qualify under Article 71 of the Charter, there is no requirement in the General Agreement on Tariffs and Trade that prospective parties qualify under it.

It should perhaps be added that there is similarly no need to examine Japan's qualifications under Article 71 as a result of the adoption at the first session of the Working Party

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of a formula for invitation of certain countries which requires that the countries in question qualify under the Article. It was understood at the time that this formula was for application to countries other than Japan, Korea and West Germany, on which decisions were reserved for the second session of the Working Party. And even if it were argued that the formula should apply to Japan, Paragraph 5 of Article 71 clearly contemplates the possibility of either full or limited membership of Japan in the International Trade Organization.

