

GENERAL AGREEMENT ON TARIFFS AND TRADE

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SUMMARY RECORD OF THE SIXTH MEETING

Held at the Palais des Nations, Geneva
on Friday, 10 October 1952 at 3 p.m.

Chairman: Mr. Johan MELANDER (Norway)

Subject discussed: Japanese Accession

Japanese Accession (L/29 and Add.1)

Mr. HAGIWARA (Japan) thanked the CONTRACTING PARTIES for admitting Japan as an observer to the Sixth and present sessions. The present session was of particular importance to his country since the question of the accession of Japan to the General Agreement was on the agenda. Mr. Hagiwara drew attention to the profound changes in Japan on the political and social levels and in the economic and trade fields since the War. Among the constitutional and legislative reforms enacted with a view to creating conditions of stability and welfare, he wished, particularly, to refer to two measures relating to working conditions and fair-trade practices. A law, enacted in 1947, and its related regulations aimed at assuring adequate living conditions to the workers. Efforts to improve their standard of living in accordance with the obligations assumed by Japan as a member of the International Labour Organization continued and were, in his view, in conformity with the provisions of Article 7 of the Havana Charter. A number of laws aimed at securing fair trade practices, in particular the law of 1952 on export trade, prohibiting the export of articles with false marks of origin or in violation of copyright or industrial property laws gave guarantees which it was hoped would allay the uneasiness which continued to exist in other countries.

Changes in the economic domain were also striking. Mr. Hagiwara referred to the difficulties resulting from the reduced territory of the country, its large population and the devastation by bombing of industries and towns. Industrial production had increased to a level of 127.8 per cent, as compared with the 1934-1936 average, but foreign trade figures in 1951 showed only 29.9 per cent for exports and 47.2 per cent for imports, as compared with the same base years. The pattern of trade had also been considerably altered.

His country's main concern, at present, was to seek stability and prosperity through international co-operation. In this spirit, Japan was seeking admittance into all the international organizations created since

the War and had become a member of most of the specialized agencies of the United Nations. In the economic field, Japan was a member of the International Whaling Commission, the International Wheat Council, the Food and Agriculture Organization, the International Bank and the Monetary Fund, and participated in the technical assistance programme. Japan would shortly accede to the Madrid Convention on the Prevention of False Marks of Origin. Motivated by the wish for still closer international co-operation, Japan was now asking to be admitted to the General Agreement. His country subscribed to its basic objectives, and the expansion of international trade, which was its purpose, was as essential to the sound development of the economy of Japan as of any other country. Japan joined in the limitation of trade necessary in order to safeguard the security of free nations, and all the more, therefore wished to be admitted as a full member of the community of free nations; and both on that account and in order to increase its trade with them, to receive the advantages of the General Agreement. Moreover, under Article 12 of the San Francisco Peace Treaty, Japan had undertaken to initiate negotiations with each allied power with a view to concluding treaties and conventions aimed at establishing commercial, maritime and other relations on a stable basis. Such bilateral negotiations had already been initiated with a certain number of countries and his government wished the assurance that trade and tariff questions could be negotiated soon within the Agreement so as to render unnecessary bilateral negotiations in these fields.

If the accession of Japan to the Agreement were accepted, in principle, by the CONTRACTING PARTIES, Japan hoped to be able to enter into tariff negotiations in the near future. Although aware of the difficulties of fixing, at this time, an exact date for a future series of tariff negotiations, he hoped a formula could be found whereby the date could be fixed as soon as circumstances permitted and without waiting the Eighth Session.

Mr. THORP (United States) said that, at the end of the War, the United States had been given the responsibility for Japan. Gradually this responsibility had been shifted to the Japanese people themselves and, as a result of the Peace Treaty, Japan had resumed full sovereignty. His government saw with great satisfaction Japan resuming its responsibility and expressing the wish to take its place in the community of nations. Certainly, it was the desire of all countries that Japan should play an active part in the international trading community.

Accession to the General Agreement was properly described as a process rather than as an event. It involved a series of steps and the most the CONTRACTING PARTIES could do at this stage was to start this series of steps, under Article XXXIII, by which Japanese accession could eventually be accomplished. There were several things to be taken into consideration. All contracting parties wished full information concerning Japanese economic policy. There was also the new problem of arranging for the negotiations. Accession, in the past, had occurred during a general round of tariff negotiations. At the present time, no general tariff negotiations were contemplated and a procedure for carrying out negotiations with Japan would have to be decided upon. It did not seem possible, in view of these considerations, that a decision could be reached at the present Session. Accordingly, he proposed that the application by Japan be referred to an intersessional committee. Such a committee should consider the economic factors involved and might, in order to assist its work, be authorised to consult directly with the Japanese Government. It should also consider the means of carrying out the necessary negotiations.

Mr. LECKIE (United Kingdom) said that he was in general agreement with the approach of the United States delegate to this question. Formally, the question before the CONTRACTING PARTIES was the narrow one, of whether Japan and those contracting parties with whom she had indicated a desire to enter into tariff negotiations, should be permitted to avail themselves of the ancillary procedure drawn up at the Sixth Session. The CONTRACTING PARTIES would probably wish to consider whether tariff negotiations so conducted would produce results satisfactory not only to the countries negotiating but to the Agreement as a whole. It would be necessary to consider whether piece-meal negotiations would be the most effective method of ensuring that the would-be acceder brought an adequate contribution to the Agreement, as a counterpart for the rights and advantages which would accrue to him *de jure* on becoming a member. In the case of a country whose overseas trade was so extensive as Japan's, the volume of trade which would be the subject of negotiations would be so large and of interest to so many contracting parties that inevitably the negotiations would have to be handled in a co-ordinated manner. It would be, in fact, a major undertaking and there was, therefore, an important question of timing to which careful consideration should be given.

There were wider implications for the Agreement as a whole of Japan's application and these would also have to be carefully considered by the CONTRACTING PARTIES. Japanese trade had, in the past, presented at least to some countries, special problems. Although it was to be hoped that the legislative and administrative programme indicated by the Japanese representative, would ensure that no cause was given to revive these difficulties, some of the governments which had memories of the past were bound to be cautious in assuming obligations which would deprive them of the means of protecting the interests of their industries and commerce. In undertaking the obligations of the Agreement, and in making tariff concessions under the Agreement, countries had done so on the basis of the membership at the time and of the reciprocal and mutually advantageous benefits secured in the tariffs of other members. Close account was not then taken of the cost of extending their concessions de jure to possible future acceders. They would wish to consider carefully whether they could maintain these concessions in the face of what would be a new situation. Moreover, for certain governments, the assumption of the obligations of the Agreement towards Japan would, without adequate safeguards, risk inflaming public opinion prejudicial to Japan and to the ability of those governments to continue to participate in the Agreement. This would be a most regrettable development. It was apparent, from the foregoing, that the conditions and timing under which the Japanese application should be pursued was of great importance and required considerable study by the CONTRACTING PARTIES if such undesirable consequences were to be avoided.

Mr. Leckie wished to be clear that the attitude of his Government on the question was in no way unfriendly towards Japan. The United Kingdom had supported proposals to admit Japan to all the international organs of which it was already a member and recognized that Japan should take her rightful place in the community of trading nations. The United Kingdom did not question the need for Japan to develop her export trade to enable her to acquire the food and raw materials necessary to maintain a reasonable standard of living for her people. It was, in fact, with these considerations in mind, that he was anxious that the application before the CONTRACTING PARTIES be handled with proper consideration of all matters involved. He supported the proposal of the United States delegate that the application be referred to an intersessional committee which would be instructed to go into the matter thoroughly, taking into account the views of Japan, and to report back to the CONTRACTING PARTIES as to how the application should be further pursued.

Dr. ISBISTER (Canada) welcomed the Japanese observer on his first occasion to address the CONTRACTING PARTIES and expressed his agreement with the statements made by the United States and United Kingdom delegates. The Canadian delegation was interested in exploring the question of whether a basis could be found for the establishment of mutually acceptable trade relations between Canada and Japan and hoped that such a basis could be found. The wish of the Japanese Government to avoid delay in establishing commercial agreements with other countries was understandable and it was desirable that some effective procedure for the consideration of this case

be adopted by the CONTRACTING PARTIES. In view of the importance of Japan in world trade, the CONTRACTING PARTIES would have to study all the aspects of the numerous and complicated problems raised by the Japanese application and, even with the most expeditious procedures, it might take some time to reach a conclusion on the question. The Canadian delegation was prepared to participate in an examination of the special problems raised by this application and hoped that a satisfactory procedure would be found. Dr. Ishbister assumed that whatever working party was established would seek the views of the Japanese Government in attempting to determine mutually acceptable international trading arrangements with Japan.

Mr. HAGEMANN (Germany) said that his government had already informed the secretariat of their agreement that Japan be invited to participate in tariff negotiations with a view to accession. Germany was among the countries with whom Japan had indicated a wish to negotiate. Inasmuch as negotiations of this nature required lengthy preparatory work, the German delegation would be in favour of a decision being taken at the Seventh Session on an invitation to Japan, with the reservation that the date of the tariff negotiations, as well as the terms of accession, should be considered by an intersessional committee after the Seventh Session.

M. PHILIP (France) said that the request now before the CONTRACTING PARTIES was the request of a large country which, since the Peace Treaty, had resumed sovereignty and one that had a particularly important role in world commerce. It was necessary for the French government to give serious consideration to several matters. Firstly, there was the problem of reaching an equitable balance of trade with Japan. At the present time trade was carried on between the two countries but there was a deficit in the balance, in the first seven months of 1952, in Japan's favour of 7 billion francs. France was interested, therefore, in examining the possibility of the future development of Japan and particularly of their capacity to import. Secondly, there was the question of the repercussions of the accession of Japan on the concessions contained in the Agreement. Accession by Japan had not been envisaged during the earlier negotiations and it was now necessary to re-examine the importance of the concessions then granted with a view to ascertaining whether Japan could provide a sufficient counterpart for the benefits it would receive. Thirdly, there was the matter of past experience. In the case of France this was chiefly of concern to the overseas territories. Any international trading arrangements had to be viewed in the light of the whole of the French Union and the varying needs, economies and customs status of the different territories. In view of the complexity of the problem, M. Philip supported the proposal of the United States delegate that an intersessional committee should be established to consider the matter. It would also be helpful if the CONTRACTING PARTIES could ask the Japanese delegation now to provide complete documentation.

Mr. PAPANONIS (Greece) said that, although Greece was not on the list of countries with whom Japan wished to negotiate, his government was generally in favour of the accession of Japan and felt that one of the objectives of the General Agreement was the accession of new countries. There were, however, a multiplicity of problems and in view of these and the memories of pre-war

experience, which in the case of his own country also were not agreeable, immediate accession was perhaps undesirable. He supported therefore the proposal to refer the problem to an intersessional committee.

Mr. ISIK (Turkey) said that his government favoured all new accessions to the Agreement. It was incumbent upon the CONTRACTING PARTIES to consider not only their own interests but to contribute to the development of commercial relations generally. The accession of so important a trading nation as Japan would work in this direction. He understood that other countries might feel the need for further consideration of the matter but he hoped a procedure would be adopted that would not too long delay Japanese accession.

Mr. SINGH (India) said that India would support the accession of Japan in view of its importance to world trade. The question arose as to whether the procedures to govern negotiations with a view to accession drawn up at the last Session were adequate for a major trading nation such as Japan. India was prepared to negotiate with Japan under those procedures and had so advised the secretariat. At the present time India accorded most-favoured-nation treatment to Japan. However, if the CONTRACTING PARTIES felt that the matter should be referred for study to an intersessional committee, his delegation would agree, but hoped that a decision could be reached as expeditiously as possible.

Mr. DI NOIA (Italy) said that Italy welcomed Japan's application to accede in view of Japan's importance in international trade. But the problem of entering into tariff negotiations was a delicate one, and it was important first to establish the conditions under which Japan could accede and to ensure that negotiations would result in Japan's providing an adequate counterpart for the concessions and advantages that would accrue to her in becoming a contracting party. Mr. Di Nola favoured co-ordinated negotiations. He referred to the progress made by Japan in the field of social legislation and expressed the hope that this progress would continue so that Japanese production would develop in the same conditions as in the countries with which Japan wished to establish normal commercial relations. He supported the proposal to submit the matter to an intersessional committee and hoped that such a committee would report without delay and that it would then be possible to decide in favour of Japan's accession.

Mr. SAHLIN (Sweden) said that his government considered that Japan should be allowed to enter into negotiations with a view to accession to the Agreement and had informed the secretariat when the request was first circulated that Sweden was prepared to begin negotiations with Japan. If the CONTRACTING PARTIES decided that further study of the matter would be necessary, his delegation would not object.

Mr. AZIZ AHMAD (Pakistan) said that Japan had a large volume of trade with Pakistan and inasmuch as Japan was a large industrial and commercial nation, its accession would be of benefit to all contracting parties. Pakistan would have no difficulty in negotiating with Japan under the procedures drawn up at the last session. In view, however, of the difficulties of other contracting parties, he would not oppose study of the question

by an intersessional committee but he emphasized that there should in no case be any undue delay in the accession of Japan.

Dr. HELMI (Indonesia) noted that there appeared to be agreement in principle on Japan's accession. Past experience should not be allowed to stand in the way. He hoped that the process of accession by Japan could be made expeditious and said that his government wished that negotiations should be undertaken as soon as possible.

Mr. KOLLETTIER (Ceylon) welcomed Japan's request to accede to the Agreement. Ceylon accorded most-favoured-nation treatment to Japanese products and had recently signed an agreement with Japan. Although Japan's accession posed no special problems for his government he recognized the problems of other contracting parties and supported the proposal that they be studied by an intersessional committee.

Mr. SCUTT (Haiti) felt that the discussion clearly showed that there was no wish to exclude Japan from the General Agreement. It was natural that so important a question should be studied carefully. Haiti had also in the past had a deficit in its trade with Japan. He supported the proposal to refer the matter to an intersessional committee.

Mr. VALLADAO (Brazil) also welcomed Japan's desire to accede to the Agreement. A trade agreement had recently been signed between Japan and Brazil and trade between the two countries had increased. He hoped that a detailed examination would be made by the intersessional committee and a report submitted that would be satisfactory to all.

Mr. SVEC (Czechoslovakia) said that the application of Japan placed two questions before the CONTRACTING PARTIES, the question of terms of accession and the question of the admission of Japan to negotiations. At the present moment only the latter point was at issue. His delegation intervened in the present discussion from a concern that the rules of the CONTRACTING PARTIES should be strictly observed. He did not understand by what rules it was now proposed to establish a committee to study the terms of accession before a decision was made on whether to invite Japan to enter into negotiations. It would be the purpose of such negotiations to find terms on which accession could be agreed to and no committee could decide on the question of accession until negotiations had taken place. The only point for decision now was whether to allow Japan to enter into negotiations with contracting parties. Article XXXIII referred only to the accession of a country and not to a decision by the CONTRACTING PARTIES as to whether to admit a country to negotiations. For the latter, a simple majority of the CONTRACTING PARTIES was all that was required. Since the reasons for establishing an intersessional committee to consider the question further were not clear to him, the Czechoslovak delegation would abstain on this matter.

On the question of the admission of Japan to tariff negotiations, Czechoslovakia would also abstain. Mr. Svec said Czechoslovakia had no desire to stand in the way of the participation by the Japanese people in the general trading

community. However, his Government could not agree to the present situation whereby Japan was forced to discriminate in its exports and to impose embargoes on its natural customers, such as China. It was perfectly understandable that the result of these policies had been a sharp decline in Japanese trade.

The CHAIRMAN, in summarising, said that the CONTRACTING PARTIES recognised the desire of Japan to co-operate and take its place in the international trading community and seemed favourably disposed to the principle of accession by Japan to the Agreement. Article XXXIII provided for accession on terms to be agreed between the CONTRACTING PARTIES and the country seeking to accede.

Japan's request to accede to the Agreement had been notified to contracting parties in accordance with the procedures governing negotiations for accession, drawn up at the last Session. Certain contracting parties had objected to the application of the intersessional procedures and the matter had in consequence, under Rule 2 of the Procedures, been referred to the present Session. It was clear that many contracting parties wished to give careful consideration to the accession of so important a trading nation as Japan and it was undeniable that past experience with Japanese trade had raised special problems. Several contracting parties favoured the reference of this matter to an intersessional committee for study of the conditions and timing under which such an application could be pursued and, with the exception of the Czechoslovak delegation, the other delegations agreed to this procedure. It was important that there should be no undue delay in the committee's arriving at an acceptable formula and he suggested that the members of the intersessional committee established between the Sixth and Seventh Session, might be instructed to meet on an ad hoc basis during the present session in order to take advantage of the presence of Japanese representatives at the present Session and to obtain from them information which would be useful to the intersessional committee. A formal decision concerning this method of dealing with the matter would be submitted to the CONTRACTING PARTIES for approval at a later meeting.

Mr. HAGIWARA (Japan) thanked the CONTRACTING PARTIES for the favourable consideration they had given the application of Japan and hoped that the intersessional committee which was to consider the question would carry out its work as expeditiously as possible.

The meeting adjourned at 6.10 p.m.

