

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

W.7/29

22 October 1952

Special Distribution

Original: French

## ACCESSION OF JAPAN

### Statement submitted by the Japanese Observers to the Seventh Session

At the plenary meeting, held on 10 October 1952, I had the honour to submit to the CONTRACTING PARTIES a brief statement on the profound changes that have occurred in the Japanese economy since the last war. I shall confine myself today to a few additional comments more particularly concerned with our foreign trade and our trade policy.

During the discussions at the plenary meeting, which I followed with deep interest, I was greatly struck by the speeches in which certain delegates stressed the vast volume of Japan's foreign trade. But according to United Nations statistics, our country's share of world trade amounted in 1951 to only 2.15%, i.e. 2.50% for imports as against 1.77% for exports. In 1951, Japan was placed only fourteenth, coming after the United States, the United Kingdom, France, Canada, Germany, the Belgo-Luxemburg Union, the Netherlands, Australia, Brazil, Italy, Sweden, Malaya and India. A mere comparison of these figures with those for 1937 - when Japanese trade still accounted for 5% of the world total, i.e. 5.03% for imports as against 4.38% for exports - would certainly suffice to show you the extent of the decline in our post-war trade. This decline is the more striking in that Japan is obliged to import today greater quantities of foodstuffs and raw materials than before the war.

It should also be pointed out that Japan is today much less of an exporting than an importing country, the reduction in her trade being much less marked for imports than for exports. This is due to the fact that present-day Japan, detached as she is from overseas territories and nearby continental sources, finds herself dependent on outside and distant sources for greater supplies of raw materials and foodstuffs.

If, despite the steep decline in Japan's trade, Japanese competition is regarded as a serious problem by certain countries, this is probably due to the fact that our exports consist almost solely of manufactured products, whereas our imports normally take the form of foodstuffs and raw materials - and for this trade we have neither a privileged market nor special sources such as are available, for example, to the United Kingdom in the Commonwealth, or to France in the countries of the French Union. In other words, all that you need do to obtain some idea of Japan's present position would be to imagine an England at the other end of the earth without a Commonwealth and practically deprived of any trade with the nearby continent.

As to our trade with continental Asia, I should like to dwell on it for a moment in order to obviate any misunderstanding of the statement I had the honour to make at the plenary meeting. What the armies of the United Nations are defending in Korea, a few hundred miles from our territory, is precisely world peace and the security of Japan. It is therefore quite natural that Japan should co-operate in all the measures adopted to check the growth of the influences that are threatening the security of the whole world, including Japan. For instance, Japan is voluntarily co-operating in the joint action for the limitation of trade in certain categories of goods.

I do not think that our trade with the continent can develop any considerable proportions in the near future, even in the very unlikely event of our no longer having to restrict our trade with the Chinese continent in any way. The policy of the present régime in China consists in monopolizing or nationalizing foreign trade, buying abroad only the strict minimum required for the industrialization of the country and importing no finished consumer goods at any time.

In such circumstances it is obvious that our only prospect of increased trade lies in dealing with you, the free nations, in buying raw materials from you and selling you our manufactured products.

This is the method we prefer, because we are convinced that trade, even where certain problems of competition arise, is nevertheless of benefit to all parties.

My aim in venturing to draw your attention to the continuing very low level of Japanese post-war trade, is not to give you the impression that Japan is about to initiate cut-throat competition on the world market or intends to pursue a policy of aggressive trade expansion in order to regain the place she has lost. Japan has, of course, complicated problems to solve in order to preserve a balanced economy and to maintain an ever-growing population. The inadequate recovery of her foreign trade is perhaps the most difficult, as also the most acute, of these problems. We are henceforth determined to seek the solution of this problem, not on selfishly autarkic and aggressively competitive lines, but in the setting of international co-operation for general prosperity, that is to say, by developing trade on the basis of free trade, non-discrimination and fair competition among all nations of the international community. Competition itself is not always a bad thing; on the contrary, it is essential to human progress, provided, of course, that it is neither excessive nor unfair. Such is the spirit in which our trade policy is framed. It reflects, I think, the underlying spirit of the General Agreement on Tariffs and Trade.

As to our Government's efforts to ensure fair competition, in order not to repeat myself, I would refer you to GATT document L/29/Add.1. In order that these efforts may bear more fruit, the Japanese Government would request other governments to show a broad understanding of our legislation and to assist us in putting it into effect.

There has been frequent discussion in the past concerning the almost legendary low prices of Japanese products. Price levels derive from a whole series of - more or less complex - causes, which are inherent in the social,

economic, political and other conditions prevailing in the country concerned. In that connection, I have to point out that certain circumstances existed in Japan before the war which made it possible to sell Japanese products at prices much below the international rates. Among these circumstances I might mention: the existence of very large firms powerful enough to practise dumping; the fact that the Government was obliged just before the war to sell national products at any price in order to obtain military equipment or strategic materials in return; a rate of exchange extremely favourable to exports; easy access to sources of very cheap raw materials etc. I would point out that all of these circumstances have ceased to exist today. The large firms have been decartelized. The rate of exchange has been permanently fixed since 1949 and Japan is a member of the International Monetary Fund. Wages have risen substantially, although still low in comparison with wages in the countries of Europe or North America. Nor must it be forgotten that social welfare charges have greatly increased and that Japanese industry has to employ many more workers to offset the quality of labour and of machinery which has been allowed to deteriorate for a long time. In a word, Japanese goods can no longer be supplied today at the same low prices as formerly. Again, in the case of certain products which are subject to excessive variations, the Government has taken steps - under its export licence system - to prevent the export of goods at prices below what may be regarded as legitimate.

As to our imports policy, it leaves private importers as free as they can be under existing economic conditions. Of course, we encounter the same difficulties as other countries, for example, the balance-of-payments and the dollar problems. We are obliged, like you, to apply quantitative import restrictions involving differential treatment of imports from "dollar" countries. But these restrictions are applied with extreme care by our Government, so that they may remain at all times compatible with the provisions of the General Agreement.

I should like to add a word concerning our customs policy. The customs tariff now in force was framed in 1951 under the Allied Occupation. It was drafted with an eye to the possible accession of Japan to the General Agreement. The prohibitive 100% ad valorem duties, which were formerly imposed on so-called "luxury" products, have been completely abolished. For instance, certain of these products, like French perfumes and wines, can now be imported into Japan. The rate of duties laid down in our tariff is today fairly low compared with other countries.

Lastly, as regards the non-discrimination principle, Japan now accords all the States signatories to the San Francisco Peace Treaty most-favoured-nation treatment or national treatment, as the case may be, in accordance with Article 12, paragraph (b), of the said Treaty. Article 12, paragraph (c) also provides for reciprocity, thus giving Japan the right to apply discriminatory measures in respect of countries not according Japan most-favoured-nation treatment or national treatment. If Japan has been so far disinclined to exercise the right accorded her under this paragraph, it is because she is convinced that all the other countries will soon grant her non-discriminatory treatment also.

These are, very briefly stated, a few features of Japan's present trade policy. Summing up, might it not be said that Japan has behaved in the past and will - I am sure - behave in the future as if she were already a party to the General Agreement.

During the discussions in the plenary meeting on the admission of Japan the United States representative rightly observed that the admission of a new member was a process rather than an incident. Now that the procedure has been laid down for initiating that process I hope that an effort will be made to ensure that the preliminary examination of certain problems may begin as soon as possible.

The more problems there are to be examined, the more important it is to make an early start on their examination. We, for our part, will do our utmost to supply you with the facts that will guide your discussions.

I would request you to tell me today what information you require. I hope to be in a position either to supply it at once or to request my Government to transmit it to me before the end of the present session.

