As stated in press release 81 the CONTRACTING PARTIES have decided that an Intersessional Committee will undertake to examine Japan's application to accede to GATT. An account of the discussion which took place, preceding this decision, is given below.

Background: On 18 July 1952 the Government of Japan notified its desire to negotiate for accession to the GATT under the procedure approved at the Sixth Session. In accordance with these procedures the Executive Secretary informed the contracting parties by telegram on 19 July of Japan's application and requested them to advise by 19 August whether they had any objections to Japan entering into negotiations and, should negotiations take place, whether they would wish to participate. A number of contracting parties in their replies indicated that, owing to the importance of Japan in international trade, they considered the question should be examined at a Session of the CONTRACTING PARTIES. The request of Japan to accede to GATT was therefore included in the agenda of the Seventh Session.

Discussion: In his opening speech to the CONTRACTING PARTIES Mr. Toru Hagiwara, Japan, called attention to the profound changes which had taken place in Japan since the war, in the political and social domain as well as in economy and trade. He referred, in particular, to two legislative measures relating to working conditions and fair trade practices. Regarding labour standards, he said, the law of 1947 and related regulations aim at ensuring that Japanese workers get basic living conditions worthy of a human being. Japan, he said, continues to improve the standard of living of its workers in conformity with its obligations within the framework of the International Labour Organization, and, said Mr. Hagiwara, he felt sure that their efforts in this direction were in full conformity with Article 7 of the Havana Charter. Turning to fair trade practices there were a number of laws, in particular the law of 1952 on export trade, which seemed to afford guarantees adequate to allay the fears that still exist in many countries. After pointing out that today Japan has to feed a population of 65 million in an area equal to not more than two-thirds of metropolitan France, Mr. Hagiwara said that although industrial production had risen above the 1934/36 average, the level of foreign trade had been greatly reduced: exports being only 30 per cent approximately and imports 47 per cent of the corresponding base years. Also the pattern of Japan's trade had greatly changed both as to products and suppliers and consumers.

Mr. Hagiwara said that Japan was anxious to tread the path of international co-operation and had striven since the war to be admitted to all international organisations. Japan was now affiliated with such agencies as UNESCO, WHO, ILO, ITU and so forth. In the economic sphere, Japan was
now a member of the International Whaling Commission, the International Wheat Council, and PfO. Japan had recently become a member of the International Monetary Fund and the International Bank for Reconstruction and Development. In the near future Japan would accede to the Madrid Convention concerning the Prevention of False Marks of Origin. Today, he said, Japan requests to accede to the GATT, one of the most important elements in the sphere of international commerce and economic affairs. Japan, he said, fully subscribed to the objectives of GATT; for the expansion of international trade was no less essential to the sound development of Japanese economy than to that of any other country.

Mr. Hagiwara pointed out that under Article 12 of the San Francisco Peace Treaty Japan had undertaken, as soon as possible, to negotiate with each of the allied powers with a view to concluding treaties and conventions to regulate Japan's relation with other countries in the field of navigation and commercial matters. Already, Japan was undertaking negotiations of this character with a number of countries. He therefore hoped to receive the assurance that tariff and trade questions could soon be negotiated within and under the GATT in order to avoid the need for bilateral negotiations in this field. He hoped that a formula could be worked out so as to make it possible to arrange for tariff negotiations under the GATT at the earliest possible moment, without waiting for the Eighth Session of the CONTRACTING PARTIES.

Mr. Willard Thorp, United States, pointed out that since the end of the war Japan had been given an increasing degree of responsibility for conducting her own affairs. It was, therefore, with satisfaction that the United States Government noted Japan's desire to join such international organizations as the International Monetary Fund and the International Bank. It was just as important that Japan should take her place, as soon as possible, in the international trading community.

Mr. Thorp stressed that accession to GATT was more a process than an event: it required a series of steps. The most that the CONTRACTING PARTIES could do at this time was to put in motion the procedures required under Article XXXIII. Mr. Thorp said that there were two kinds of problems to be considered. First, he said, all contracting parties will want to obtain full knowledge of Japan's commercial policy and proposed commercial practices. The second problem is that, on this occasion, the proposed accession of Japan does not coincide with any general tariff conference which is contemplated in the immediate future. It was, he said, impossible to reach a decision on these points in the remaining few weeks of the Session. He called upon the CONTRACTING PARTIES to approach the matter constructively and suggested that a wise course would be to establish an Intersessional Committee to consider the basis and methods for dealing with Japan's application. Such a Committee should consult with the representatives of Japan, he added.
Mr. John Leckie, United Kingdom, said he found himself in very general agreement with the approach of the United States representative to this question. In a formal sense, the question before the CONTRACTING PARTIES was quite a narrow one: should Japan and those contracting parties with which she desired to negotiate be allowed to avail themselves of the procedure which was worked out at the Sixth Session. Would tariff negotiations, conducted in this way, be likely to produce results which would be satisfactory, not only to the various countries negotiating, but to the GATT as a whole, Mr. Leckie asked. The CONTRACTING PARTIES should consider whether piecemeal negotiations (as envisaged in the "new" procedure) would ensure that the acceding government brought into the GATT an adequate contribution as a counterpart for the rights and advantages which the acceding government would obtain de jure.

Japan, said Mr. Leckie, has an extensive overseas trade. Therefore, the volume of trade which would be the subject of negotiation is so large and of interest to so many contracting parties that the negotiations would have to be co-ordinated. This would be a major undertaking, he said. He therefore agreed with Mr. Thorp that Japan's application involved an important question of timing.

Turning to other aspects of Japan's application, Mr. Leckie recalled the memories of the special problems and difficulties which Japanese trade had presented in pre-war years. While he hoped that the legislative and administrative measures indicated by the Japanese representative would allay any fears that these difficulties might be revived, he stressed that some of the governments which experienced them in the past were bound to be cautious about assuming obligations which might, to some extent, deprive them of the means of protecting the interests of their industries and foreign trade.

When governments had made tariff concessions under GATT in the past, said Mr. Leckie, they had done so on the basis of the benefits they secured at that time, without taking into account too closely the cost of extending their concessions de jure to possible future acceders. They would, therefore, wish to consider very carefully whether they could maintain these concessions in what would be a new situation. For the reasons stated above Mr. Leckie said the conditions and timing under which the Japanese application should be pursued were matters of great importance. A good deal of further study by the CONTRACTING PARTIES was essential.

Mr. Leckie said he wanted to make it clear that the attitude of H.M. Government on the question was in no way intended to be unfriendly to Japan. The United Kingdom had already supported Japan's admission to other international agencies and fully recognized that Japan should take her rightful place in the trading community. He therefore supported the United States proposal to refer the application of Japan to an Intersessional Committee, which would go into the matter thoroughly, taking account of the views of the Japanese Government, in the hope that it would be able to report to the CONTRACTING PARTIES on how the application should be further pursued.
Mr. C. Isbister, Canada, said that his delegation was largely in agreement with the remarks made by the United States and United Kingdom representatives, and they were interested in exploring the question of whether a basis could be found for establishing mutually acceptable trade relations between Canada and Japan. Some effective procedure for considering this case should be adopted, he said. Japan was an important country in world trade; therefore, the CONTRACTING PARTIES should study all aspects of the case. The Japanese application raised numerous and complicated problems which would need some time for study before the CONTRACTING PARTIES could reach their conclusions. After saying that the Canadian delegation would be prepared to take part in an examination of the problems raised, Mr. Isbister drew attention to Article XXXIII, which states that a government not party to the GATT may accede "on terms to be agreed between such government and the CONTRACTING PARTIES".

Mr. Werner Hagemann, German Federal Republic, said that he had already indicated his Government's support of the Japanese application and, subject to the terms of accession being discussed by an Intersessional Committee, he favoured an early decision.

Mr. André Philip, France, said that the CONTRACTING PARTIES were faced with a very significant question. An important country, namely Japan, was now back in the fold of the free nations - a country which depended essentially on imports and exports. France, he said, was obliged to examine three points very carefully. First, the balance of trade between France and Japan. At present, the level of exchange was below pre-war levels. In particular, the balance was very uneven: in the first seven months of 1951 France imported Japanese goods to the value of 8 FF billion, but only exported to Japan goods to the value of 1 FF billion. M. Philip felt that it was important to examine, very closely, not only Japan's productive capacity, but also the sectors in which Japan's exports were likely to develop, as well as Japan's capacity to absorb imports from overseas. Secondly, M. Philip drew attention to the repercussion of Japan's accession on the total body of the tariff concessions already concluded by the CONTRACTING PARTIES at Geneva, Annecy and Torquay. This, he said, raised the question of the counterpart to be obtained from Japan in return for the benefits she would gain. Thirdly, M. Philip stressed that his government was particularly concerned with problems raised by the overseas territories of the French Union vis-à-vis the request of Japan to accede. Many of these territories had differing degrees of economic development, differing customs systems and so forth.

In conclusion, M. Philip said that the extremely complex situation which arose from Japan's application required thorough study. He approved the United States suggestion to refer the matter to an Intersessional Committee and suggested that the Japanese delegation should be prepared to supply documentation and answer requests without delay.
M.P. Papatsonis, Greece, said that although the accession of Japan was to be hoped for, immediate accession would be difficult, if not dangerous. In the circumstances, he supported the proposal for an Inter- sessional Committee.

Mr. H.F. Isik, Turkey, said he was in favour of all new accessions to GATT. Japan occupied an important position in international trade and her accession was most desirable. He fully understood, however, the wish of those governments which asked for a certain delay to examine the conditions relating to Japan's accession, and he hoped that this would not lead to an unwarranted delay.

Mr. L.R.S. Singh, India stressed two points. First, as to Japan's application to accede, Japan was a very important trading nation and on broad commercial consideration it was desirable that Japan should be admitted to the GATT. India accordingly supported Japan's application. Secondly, as to tariff negotiations, the question was how and when they should be started, and whether the intersessional procedure evolved at the Sixth Session would be suitable for a major trading nation like Japan to enter into tariff negotiations with the contracting parties. This, in fact, was the question for decision before this Session. India had already informed the secretariat that they had no objection to permitting Japan to negotiate for accession to the GATT under the intersessional procedures and that India was prepared to participate in tariff negotiations. India was already giving the most-favoured-nation treatment to Japan under the Indo-Japanese Treaty. If, however, the majority of the Contracting Parties felt that the conditions and the timing of Japan's application for accession needed to be studied in detail by an Inter- sessional Committee, India would be prepared to go along with the majority, provided that whatever procedure was devised was effective so as to enable Japan to enter into tariff negotiations as early as practicable.

Mr. Di Nola, 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 under what conditions Japan could accede. He pointed out the progress made by Japan in the field of social legislation and expressed the hope that she would continue in that direction, so that her production should develop in the same conditions as in the countries with which Japan wished to establish normal commercial relations.

Mr. Di Nola supported the proposal to submit the matter to an Inter- sessional Committee. He hoped that it would report soon and that, at that time, it would be possible to decide in favour of Japan's accession.
Mr. Stig Sahlin, Sweden, said that when his Government was informed that Japan had applied for membership in the GATT and was asked (a) whether they were willing to grant to Japan the right to enter into tariff negotiations according to the simplified procedure adopted at the Sixth Session and (b) if they were willing to enter into such negotiations with Japan, Sweden answered these two questions in the affirmative. Since then nothing had changed in the opinion of his Government that Japan, if she so wished should be given the opportunity to associate herself with the GATT. Sweden, he said, had no objections against Japan's entering into tariff negotiations at this stage and would be prepared to participate.

Mr. Sahlin added that should there, however, be a general feeling among the contracting parties that the question deserved further consideration before reaching a decision upon the Japanese application, his delegation would not be opposed to such a procedure.

Mr. Aziz Ahmad, Pakistan, said he would favour the accession of Japan. Pakistan had important trade with Japan and, in view of the statements of the various delegates, he supported the Intersessional Committee's examination so as to hasten Japan's accession as much as possible.

Dr. A.Y. Halmi, Indonesia, said he hoped Japan's accession could be speeded up and he associated himself with the Indian and Italian delegates in the wish that negotiations should start as soon as possible.

Mr. R. C.S. Koelmeyer, Ceylon, said that for many years Ceylon had granted most-favoured-nation treatment to Japan and he hoped that the intersessional procedure would be expeditious and that Japan's accession would not be delayed more than necessary.

M. René Scutt, Haiti, agreeing with the United States suggestion for an Intersessional Committee, said that the question should be considered seriously and that the Japanese economy should be studied from many points of view.

Mr. A.T. Valladao, Brazil, expressed confidence in the United States proposal and said that Brazil had recently signed a commodity agreement with Japan.

Dr. K.V. Svec, Czechoslovakia, stated that he did not understand why it was necessary to establish an Intersessional Committee to study the terms of Japan's accession. In his view, the question to decide was not the accession itself but only whether the Japanese Government was to be permitted to enter into the tariff negotiations or not. For this purpose, he said, procedures have been established at a previous session. Why, he asked, before a decision is made regarding tariff negotiations, is there to be an Intersessional Committee regarding the accession itself. Not knowing the reasons behind this, the Czechoslovak delegation would have to abstain on the setting up of an Intersessional Committee.

Dr. Svec said he would abstain on the admission of Japan to tariff negotiations as well, because, on the one hand, he did not want the Japanese
people to be barred from the benefits of their participation in the field of world economic cooperation; on the other hand, however, he could not agree with the present situation under which Japan, following the San Francisco Treaty, (the legality of which he contested), was forced to discriminate in their trade and to place embargoes on their exports to China, USSR and other countries, which resulted, he said, in a drastic reduction of their foreign trade.

Summing up the discussion, the Chairman said:

(a) the CONTRACTING PARTIES had taken note of Japan's desire to accede and it had been generally recognized that Japan should take her rightful place in the international trading community;

(b) it was open to the CONTRACTING PARTIES to elaborate in accordance with Article XXXIII of the Agreement the terms under which a government not a party to the Agreement might accede to it;

(c) many contracting parties clearly wished to consider Japan's application very carefully because of (i) Japan's importance in world trade, (ii) certain difficulties and problems which have, in the past, arisen with regard to Japanese trade; and

(d) Japan's application raised such importance and complex issues that an Intersessional Committee should consider the conditions and timing under which the application should be pursued, examine the matters involved and report to the CONTRACTING PARTIES.

Finally, the Chairman said he considered that a decision in principle had been taken to set up an Intersessional Committee. He suggested - and it was agreed - that the existing GATT Intersessional Committee should meet with Japanese representatives at the present Session in order to ascertain what information these representatives could furnish at the present time and which would be useful to the Intersessional Committee in its future work.

The delegate of Japan, Mr. Toru Hagiwara, thanked the CONTRACTING PARTIES for showing considerable sympathy for their cause and said that his government was ready to cooperate in every way possible. He emphasised the desire of the Japanese Government that the Intersessional Committee should submit a report which would enable the CONTRACTING PARTIES to reach a decision on the tariff negotiations and eventual admission of Japan to GATT as early as possible, if feasible, before the Eighth Session.