Delegation of

DRAFT PRESS RELEASE

APPLICATION OF ARTICLE XXXV TO JAPAN

It is requested that any corrections to the attached draft press release should be sent to the Information Officer, Conference Office A.660, not later than

The Information Officer apologizes if, in certain cases, the speaker's name is not accurately reported and asks for a correction to be made.

Spec/299/58
Application of Article XXXV to Japan by certain contracting parties: discussion in Plenary Meeting

In September 1955, Japan acceded to the General Agreement and at that time a number of contracting parties invoked Article XXXV, thereby refraining from undertaking GATT obligations towards Japan. Consultations between Japan and the governments concerned were initiated and at each session since that time the Government of Japan has reported on the situation.

At the present time there are fourteen contracting parties which invoke Article XXXV, namely: Australia, Austria, Belgium, Cuba, France, Ghana, Haiti, Luxemburg, Malaya, Kingdom of the Netherlands, New Zealand, Federation of Rhodesia and Nyasaland, Union of South Africa, United Kingdom.

In the course of his opening remarks, Mr. Ichiro Kawasaki, Japan, said that his Government considers that it should not be denied its right to compete in the world market under fair conditions, in order to sustain and expand its national economy. He knew for a fact that certain countries are still apprehensive about Japanese imports and that the application of Article XXXV by those countries was largely motivated by this apprehension. Many countries, he said, are still obsessed by the spectre of pre-war Japanese competition. The Japanese Government, however, was convinced that such apprehension is grossly exaggerated. Any misgiving will automatically be resolved when it is recognized that both the Japanese Government and industry have for several years co-operated to operate a system of "orderly
marketing" which voluntarily limits the abrupt expansion of exports to many markets. The fact that since Japan's accession to GATT no serious question has arisen between Japan and those contracting parties which had not invoked Article XXXV bore witness to the effectiveness of Japan's effort. In his view there was no problem which was not susceptible to solution by mutual understanding and consultation.

Mr. Kawasaki then referred to the withdrawal of the application of Article XXXV by India earlier this Session (Press Release GATT/399, page 5) and expressed his Government's deep appreciation of the action taken. On the other hand, he regretted to note the statement made by the delegate of Ghana (Press Release GATT/404, page 3), to the effect that the adverse trade balance of Ghana with Japan, coupled with the fact that Ghana was in the course of economic development, made it difficult for that country to repeal the application of Article XXXV. He hoped the Government of Ghana would reconsider its position.

Mr. Kawasaki said that another indication of the orderly marketing system adopted by Japan was the signing of a trade agreement between Japan and New Zealand in September 1958, whereby "the two Governments shall, so far as practicable ... base their commercial relations upon the provisions of GATT in respect of matters not covered by this Agreement". It was also agreed that the two Governments would enter into discussion within three years to explore the possibility of applying GATT between the two countries. He also referred to the similar agreement between Japan and Australia, which became effective in July 1958. He noted that trade that had been carried out for over a year on a non-discriminatory basis had been satisfactory to both parties; trade had steadily expanded and there had not been a single instance which would have necessitated Australia's specific discrimination against Japanese products in order to protect Australian industry. He hoped both Australia and New Zealand would take steps to withdraw application of Article XXXV at an early date. His Government believed that various provisions of GATT, other than Article XXXV, provide ample basis for the solution of any problem arising with regard to Japanese imports.
After asking that this item be placed on the agenda of the next annual session, Mr. Kawasaki said that it was his sincere hope that the slow but gradual bilateral approach now being employed, which seems to be moving towards a solution of the problem, would make still further progress.

Mr. Edouard Mathurin, Haiti, stated that his Government was ready to consider the question of withdrawing the application of Article XXXV towards Japan, but he could not give an exact date when the matter would be resolved.

Mr. T.S. Bell, Federation of Rhodesia and Nyasaland, said that although his Government was applying Article XXXV, they would like to expand their trade with Japan and steps had been taken towards the negotiation of a trade agreement.

Mr. M. Schwarzmann, Canada, said that it was disappointing that so many contracting parties were still applying Article XXXV towards Japan; it was never intended that this Article should be used in an extensive, generalized manner. Canada, he said, was one of the first to give Japan full most-favoured-nation treatment and his Government was aware of Japan's effort to develop their trade in an orderly, stable manner. He expressed pleasure at the announcement by the Government of India and hoped that other countries would follow suit.

Mr. W.T.M. Beale, United States, expressed continuing concern that so many governments had resorted to Article XXXV. He was particularly glad to hear the Indian decision and he hoped that other governments would do the same. The experience of informal, bilateral discussions on this problem had been most gratifying and he hoped they would continue and that other countries would follow the example.

Mr. Sujak Bin Rahiman, Federation of Malaya, said that his Government, when it became a contracting party a year ago, had taken over the obligation regarding Article XXXV, previously exercised by the United Kingdom. In the first year of independence there had been many priority problems to tackle and it had not yet been possible to look into their position vis-à-vis Japan. However, this did not affect Malaya's trade with Japan unfavourably in any way. Because of the nature of the Malayan customs tariff, Japan enjoys most-favoured-nation treatment in all aspects of her trade with Malaya. He said that Japan-Malayan trade had increased nearly threefold between 1953 and 1957 and he hoped it would continue to increase.
Mr. M.H.E.A. Baig, Pakistan, said that his Government had always felt that the widespread resort to Article XXXV raised important issues. He was happy to note the withdrawal by India but, apart from Australia and New Zealand, he felt that bilateral negotiations had not yet produced substantial results.

Dr. W.P.H. van Oorschot, Kingdom of the Netherlands, regretted that his Government had not been able to modify its position. He assured the Japanese representative that the matter was under constant study.

Mr. Jean Etienne, Belgium, said that this position of his Government was similar to that of the Netherlands. The authorities were considering the question and it was not possible to take a definite stand at the present time.

Mr. de Lacharrière, France, said there had been no modification in the situation regarding Article XXXV. He pointed out, however, that a year ago France and Japan entered into a commercial agreement under which Japan benefits from minimum rates of tariff duties on a number of products. Negotiations for the renewal of the agreement would be undertaken. The French authorities, he said, were studying the application of Article XXXV.

Mr. C.W. Jardine, United Kingdom, said that his delegation regretted that they could not make any substantial addition to the statement they made at the Twelfth Session. The United Kingdom, he said, had not reached the position in which she could dismantle the application of Article XXXV to Japan. He hoped that trade relations with Japan would develop in such a way as to enable the United Kingdom and her Colonies eventually to reach such a position. Meanwhile, the United Kingdom gives Japan most-favoured-nation treatment in tariffs, and quotas are mutually agreed. He noted that, in connexion with recent measures of liberalization, arrangements were made for the United Kingdom to take increased quantities of canned salmon from Japan, which he believed was much appreciated by Japan.

Mr. J.G. Willfort, Austria, said that his Government was not yet in a position to modify its position regarding the application of Article XXXV. Nevertheless, Austria had not ceased to apply to Japan the minimum tariff which is applied to all GATT members.
Mr. A.T. Valladão, Brazil, associated his delegation with the other
delegations which had expressed the wish to find a solution as soon as possible
to the continued application of Article XXXV to Japan. He said it was important
to bear in mind the aims of GATT and to find a method of reconciling the present
situation with those aims. When countries as important as Japan were prevented
from enjoying full GATT rights, the aims of GATT were being impaired.

Mr. K.N. Arkaah, Ghana, said that since achieving independence, his
Government had not had much time to review their application of Article XXXV
to Japan. In fact, Ghana only reserved the right to invoke this Article and
at present had no intention of doing so. He noted that Japan occupies second
place among countries from which Ghana imports. The whole matter, he said,
was under study in Accra and he would report to his Government the points
raised in the debate.

The Chairman, Mr. L.K. Jha, said that a general desire had been expressed
in favour of removing the application of Article XXXV towards Japan. One
country, India, had already done so, and many others had indicated that, in
fact, they are applying their most-favoured-nation tariff rates towards Japan.
He felt that what was holding back progress was an element of caution. He
had no doubt, however, that further direct bilateral discussions would lead to
further progress. It was agreed that the matter should be brought up again at
the next annual session.

Finally, the delegate of Japan said that the number of delegations which
had taken part in the debate was a vital proof of the general interest in this
matter. He thanked those delegations which had made friendly suggestions,
especially the delegation of Ghana.