CONTRACTING PARTIES
EIGHTH SESSION

SUMMARY RECORD OF THE SIXTH MEETING

Held at the Palais des Nations, Geneva
on Wednesday, 23 September 1953, at 10.30 a.m.

Chairman: Mr. Johan MELANDER (Norway)

Subject discussed: Accession of Japan (L/76, L/107 & Corr.1, L/109, L/131)

H.E. Mr. MATSUMOTO (Observer for Japan) made a statement in support of
his Government's proposal for provisional participation in the General Agreement.
Since the signature of the General Agreement in 1947, which was to establish
a charter for the community of trading nations, it had been the desire of the
Japanese Government to accede to it and their trade and customs policy had
therefore been framed on the basis of the principles of that Agreement.
Immediately after the entry into force of the Peace Treaty, the Japanese
Government decided to apply officially for accession to the GATT. After
several delays due to procedure, the Intersessional Committee in the preceding
February decided to recommend linking the question of accession with a new
round of tariff negotiations (L/76). The latter did not take place and the
question of Japanese accession, for reasons beyond the control of the Government,
now remained in abeyance.

The drawbacks of the present situation for Japan were connected with
Japanese public opinion which was showing signs of impatience and was wondering
why Japan, a large trading nation, should be debarred from membership in the
community of trading nations and in particular from concerted action in trading.
In order to provide a way out of the impasse, the Japanese Government had sub-
mitted a proposal under L/109 for provisional accession, in exchange for tariff
advantages in the form of the binding of a considerable number of her tariff
items under the title "Schedule of Most-Favoured-Nation Tariff" (L/131).
The binding proposed would affect 91.5 per cent of the customs tariff. If
certain contracting parties did not feel they could become party to the proposed
arrangement, the Japanese Government would have to delete from the schedule
certain articles which particularly interested them. This provisional arrangement

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1 N.B. The full text of this and the following two statements have been
issued in Press Releases 129, 130 and 131.
would enable Japan to take an active part in the work of the sessions of the CONTRACTING PARTIES pending the new tariff negotiations which they hoped would take place in one or two years' time. They also felt, in view of the proposed review of the General Agreement, that in the decisive years to come, Japan which occupied only the twelfth or thirteenth place in world trade, should be able to take part in the concerted action for liberalisation of trade. Japan would also undertake formally to abide by all the stipulations of the Agreement.

The practical consequences of the arrangement would be that for the greater number of members of the General Agreement, it would only mean confirmation of the present customs treatment applied by them to Japanese products, and for a certain number of countries the application of a more reduced customs tariff. In many countries the customs tariff played only a small part in the import régime and, moreover, the conditions in which Japanese industries were operating today, their increased cost prices and the measures taken by the Government to combat unfair competition were such that no sizeable increase in exports should be expected within the next 18 months. He was therefore convinced that there should be no fear of disruption in the present trade movements. In addition, the escape clause recommended by the Intersessional Committee and accepted by the Japanese Government was an additional safeguard against any such disruption. Lastly, a definite decision would be adopted by the CONTRACTING PARTIES only in one year or 18 months when the General Agreement was revised.

In conclusion, the Japanese Government were prepared to agree to all the undertakings under the GATT and if the proposal of the Government were not accepted they would then ask to accede to the General Agreement under the normal procedure after a new round of tariff negotiations had taken place.

Mr. WAUGH (United States) said that his Government strongly supported the application of Japan for provisional association with the General Agreement. The point had been reached where it was no longer fair, practical or wise to continue to deny to one of the largest trading nations the right to participate in the councils of the GATT and to share with the contracting parties the administration of its common rules of equitable trade. Since the War and the conclusion of a Peace Treaty, Japan had sought to frame its commercial policies in accordance with the General Agreement and to avoid those commercial practices which had given rise to so much difficulty before the War. The CONTRACTING PARTIES had wisely shown themselves sympathetic to political emergencies confronting individual member governments and, to quote one of the representatives at the recent meeting, governments should not be subjected to greater strain if the risk were to be avoided of important trading countries renouncing the benefits of the General Agreement and starting on an independent course. That good advice might be applied to Japan today. Japan had repeatedly sought to participate in the multilateral trading relationships of the GATT, but its application had repeatedly been postponed. The time now seemed appropriate to
establish stable and fruitful economic relationships between Japan and other free nations. Countries which lived by trade ought to choose their commercial policies with great care. Japan lived by trade almost as much as any contracting party to the Agreement, and while the admission of Japan would affect only a segment of the commercial relations of any one of those countries, postponement would affect almost the whole of Japan's trade. Her present trade position was precarious, the volume of her foreign trade being less than half that of 1934 to 1936. Had it not been for the dollar expenditure of the United States in Japan in connection with the Korean War, Japan would have had a balance-of-payments deficit in 1952 of $750,000,000.

Regarding the details of the proposal, Japan had clearly stated its awareness of the problems confronting some nations in accepting the accession of Japan and had tried to meet them. She had stated her preparedness to apply the provisions of the Agreement and that would go far in enabling some countries to come to a decision before the general review of the Agreement took place. Safeguards against injuries arising from trade developments were already contained in the provisions of Article XXIII. Without expressing an opinion on the proposed interpretation of that Article (L/76), the United States delegation felt that the provisions of Article XXIII were broad enough to cover cases involving competition on the basis of unfair labour conditions. The tariff commitments suggested by the Japanese proposal (L/131) were substantial, covering almost the whole of the Japanese tariff. Japan would also be obligated to abide by the provisions of the Agreement and that would be a safeguard in the interests of all. The United States Government firmly believed that the admission of Japan on a provisional basis was urgent and that Japan was deserving of that recognition by the CONTRACTING PARTIES. They hoped that the contracting parties would find it possible to join with the United States in giving the application their support.

Mr. THORNEYCROFT (United Kingdom) said that after listening with sympathetic attention to the clear and moderate statement by the observer for Japan, he wished he could give him more assistance than was in fact in his power. He recalled his remarks at an earlier sitting in regard to the serious difficulties which the granting of Japan's application would entail for a number of contracting parties, and not least for the United Kingdom. The difficulties of the United Kingdom were based partly on memories of the past and partly on uncertainty about the future. The fear of Japanese competition was bound to be reflected in the tariff plans of many contracting parties, and any raising of their tariffs could not but affect the interests of all exporting countries, including the United Kingdom. The fulfilment of the general objectives of the Agreement would thereby be hampered.

There had been valid objections to the suggestion that Article XIX provided adequate safeguards against undue competition, but the safeguards which were said to be provided by Article XXIII were also quite inadequate. Furthermore there could be no difference between the suggested provisional association and
permanent accession to the General Agreement which itself was being provisionally applied. If other contracting parties felt it appropriate to approve the application the United Kingdom would regretfully have to abstain. During the discussion on Article XXVIII at a previous meeting, some representatives had pointed out the substantial difficulties they had themselves experienced in continuing to bind their present "out-dated" tariffs. The difficulties would certainly be aggravated by the introduction into the system of a low-cost producer at the present time. The appropriate time to consider the Japanese request would therefore seem to be at a general round of tariff negotiations.

Moreover, the fact should be faced that the eastern markets of the world were today very much reduced. For one thing, Japan had had before the War an important market in China amounting to not less than 30 per cent of her exports, but today only one half of one per cent of her exports went to China. Added to that was the highly protectionist policy pursued by the United States. The whole trade of Europe and of Japan was turned inward upon itself, and artificially concentrated on a limited area of the world including the United Kingdom's traditional Commonwealth markets. The admission of Japan would therefore be premature. As for helping Japan's trade, contracting parties with that end in mind could take practical steps to liberalize their import policy such as the United Kingdom herself had done in easing the import quotas in East Africa. There were therefore practical ways of meeting the difficulties of Japan which would not involve the hazardous steps of such an accession at the present moment. Failing such practical beneficial measures, the admission of Japan into the Agreement would amount to no more than a façade, especially if it were approved by a divided vote upon a scanty majority.

If the majority of the contracting parties should favour Japan's accession, the United Kingdom would not vote against it but would abstain from voting on the proposed decision and from participation in any new obligations which were undertaken.

Mr. SEIDENFADEN (Denmark) said that his Government welcomed the Japanese request for participation in the belief that the aims and objectives of the Agreement could be best furthered by the adherence of all nations of importance in international trade. His Government would support the proposed provisional arrangement and the procedure suggested in L/107 because it felt that Japan's participation should not be further delayed on account of circumstances beyond the control of the Japanese Government making impossible its accession through the ordinary procedures. As for the compensatory concessions which his Government believed should be made by Japan even for this interim arrangement, the Danish delegation was studying the schedules submitted and any special wishes on the part of Denmark would be made known to the working party which presumably
would be appointed. Regarding the question of interpretation of Article XXIII:1(c) on which the Intersessional Committee had proposed a draft declaration with a view to providing safeguards, and which in the view of certain contracting parties should be taken into account even in making the provisional arrangement for Japan, the Danish Government firmly believed that such an agreed interpretation was in principle dangerous and in practice unnecessary at this time. The problem was one which had much broader implications than the case at hand and affected the very foundation of the Agreement which should not be undermined for expediency. It should be postponed until after the passing of the present difficult transitional stage. The Danish delegation would welcome the views of other contracting parties on this point and hoped that its opinion would meet with general support.

M. CHARPENTIER (France) said that his Government attached great importance to the effects of Japanese exports. For the reasons which had been expounded by the United Kingdom representative the French Government believed that the moment was ill-chosen for considering the accession of Japan, even in the provisional form proposed, since the Agreement itself was due for a general review. The French delegation would therefore abstain from voting on the proposal.

Mr. HAGEMANN (Germany) stated that as the Treaty of Commerce of 1927 between Germany and Japan which had been put back into effect in 1952, provided for most-favoured-nation treatment, the accession of Japan to the General Agreement would not affect the economic relations of the two countries. However, as the adherence of Japan to the General Agreement, with the proposed interpretative declaration strengthening the provisions of Article XXIII, would provide additional safeguards against the threat of Japanese competition, the German delegation would support, in principle, the request by Japan for participation in the Agreement. But, the German Government might need to enter into tariff negotiations with Japan with a view to obtaining tariff reductions to compensate for the benefits which Japan derived from the schedules of the Agreement and might even wish to modify certain of its own concessions in the course of tariff negotiations. For this reason, the definitive accession of Japan, in the view of the German Government, should not take place except within the framework of a future round of general tariff negotiations. As regards the provisional arrangement proposed by Japan, the German Government's view would depend greatly on whether the bindings offered by Japan constituted an adequate compensation for the concessions from which it would benefit. The German delegation was studying the Japanese proposals and would have no objection to the provisional arrangement if it were satisfied on the adequacy of the Japanese tariff offers, and if it were assured that the present arrangement would not prejudice the definitive tariff negotiations which should take place in the future.
Mr. KARMARKAR (India) said that the position of India regarding Japan's participation in the Agreement had been adequately indicated on past occasions. Without prejudice to the support it gave to the Japanese proposal, the Indian delegation felt that the arguments put forward by the United Kingdom representative deserved close consideration by the CONTRACTING PARTIES, and should be studied by a working party so that agreement could be reached on as broad a basis as possible. The future of the General Agreement depended on the unanimity of views of contracting parties and it was to be hoped that the problems raised by the United Kingdom representative could be resolved by a working party and that the apprehensions expressed by him could be alleviated by appropriate devices. The same applied to the comments made by the French representative which should also be taken into account by the working party. The binding of tariff items offered by Japan was being studied by the Indian delegation, but a cursory reading of the proposals has shown that India might ask for the binding of certain items which were at present listed in the Japanese unbound schedule. Between the two alternative texts for the decision presented in L/107, the Indian delegation was in favour of the second.

Dr. HELMI (Indonesia) said that, while not intent upon minimizing the unpleasant memories of the pre-war years, his delegation believed it only fair now to give a favourable consideration to the Japanese request for a provisional arrangement, especially as Japan, a country of considerable importance in world trade, had expressed its willingness to participate in the Agreement, to enter into negotiations in due course and to meet the wishes of the contracting parties regarding many points. It had been argued that by keeping Japan outside the fold it would be easier for contracting parties to take action against any unfavourable influence of Japanese exports, but the Indonesian delegation failed to see any difference in this request whether Japan was included or excluded as a party to the Agreement. As for the safeguards discussed in connection with Japan's earlier request for accession, the Indonesian delegation would point out that the conditions of low wages and minimum income, prevailing in the pre-war days in Japan, had ceased to obtain. In conclusion Dr. Helmi said his delegation agreed with the view of the United States representative that the Japanese request should be given consideration as an urgent matter, but would regret the abstention of an important trading nation like the United Kingdom from the scheme.

Mr. SAHLIN (Sweden) said that his Government's attitude on the question of Japan's participation in the Agreement was affirmative. Japan's accession would have no effect on the trade of Sweden because the Commercial Treaty of 1911 between Sweden and Japan providing for mutual most-favoured-nation treatment was still in force. His Government was of the view that any nation wishing to associate itself with the Agreement and to abide by its principles and provisions should not be prevented from doing so, and would therefore support the proposal now before the CONTRACTING PARTIES for an interim arrangement enabling Japan's participation pending an opportunity for holding regular tariff negotiations.
The obligation undertaken by Japan to continue to apply its present moderate duties would help to stabilize the custom tariff levels. The Swedish delegation was in favour of a solution along the lines proposed in L/107.

Dr. ENDERL (Austria) stated that a broadening of the basis of GATT ought to be considered a welcome development. Without prejudicing its attitude towards the final accession of Japan, the Austrian Government would give the most sympathetic consideration to Japan's application for temporary association. The Austrian delegation must, however, make it clear that its support was given on the understanding that all safeguards provided under the Agreement would be implementable, and on the assumption of the adoption of the interpretation of Article XXIII as given in L/76. The Austrian delegation had noticed that the majority of items exported by Austria to Japan were contained in the list of unbound items submitted by the Japanese Government. Austria would therefore have to consider the concession of her schedule to Japan as unsatisfactory and to reserve her final position in that matter, pending further discussion.

Mr. Garcia OLDINI (Chile) said his Government were entirely in favour of the acceptance of the Japanese proposal, that view being founded on their conviction that the General Agreement should progress towards the objective of becoming a world organisation, as had been intended by those who had drawn up the Agreement and the Havana Charter. Although rapid progress might not be made, efforts should nevertheless be pursued towards that goal whenever possible. Japan was an important country in international trade and there was no valid reason for excluding her from the Agreement. The fears which had been expressed by the representatives of the United Kingdom and France were in fact shared to some extent by his own country, but it was not a valid policy for the protection of their interests to endeavour to keep an important trading nation outside rather than inside the General Agreement. The ideal of the Agreement of normal and free trade could not be reached through ostracising competing countries. The normal and natural way would be to embrace within the Agreement as many countries as possible so that the solution of any difficulties and conflicts could be solved within that Agreement. The Chilean delegation were therefore in favour of inviting Japan to become a member of the GATT community, in spite of the apprehensions shared by Chile regarding the repercussions which Japanese competition might have on its trade. The ways and means of achieving that end would be a matter for a working party to consider.

The Chilean delegation were concerned about the abstention of two large trading powers and it was to be hoped that the working party would find some satisfactory solution enabling them to reverse their position.

Mr. ISIK (Turkey) said that the Turkish Government were of the opinion that the largest possible number of countries should become parties to the General Agreement and that therefore the granting of Japan's request for accession would
be only logical. In order to meet the inevitable difficulties, certain safeguards would have to be provided. It would have been preferable that such accession should have taken place subsequent to tariff negotiations, but since despite the readiness of Japan, it had been impossible to hold such negotiations, the CONTRACTING PARTIES should make an effort to surmount those difficulties. The Turkish delegation therefore supported the proposed provisional arrangement.

Mr. MACHADO (Brazil) said that for several reasons his delegation were in principle in favour of accepting Japan as a party to the General Agreement. Firstly it was important that the rules of the Agreement should be applied as universally as possible; and secondly, the interests of the individual countries would be more effectively safeguarded if Japan were a contracting party than if she remained outside. In that sense, his delegation shared the views of the representative of Chile. As for the question of a provisional arrangement versus accession, no vital problem was involved as the Agreement itself was being applied provisionally by all parties; the proposal regarding the extension of the assured life of the schedules would have the effect of postponement of the adjustment of tariffs for another twelve or eighteen months and, at that time, not only the schedules would be readjusted but the whole Agreement would be reviewed for the purpose of making it more suitable to a world divided into highly developed and protected countries, and underdeveloped and unprotected economies. If it should then prove impossible to revise the principles of the Agreement and to start a new round of tariff negotiations, she would find it impossible to remain within the Agreement; the revision of the Agreement should be made before the CONTRACTING PARTIES considered Japan's definitive accession.

Mr. NOTARANGELI (Italy), referring to the statement which the Italian representative to the Seventh Session had made on the subject, stated that the Italian Government remained, in principle, in favour of Japan's participation in the Agreement. There was, however, no need to stress the provisional nature of the arrangement now proposed since it had been generally agreed that a review of the Agreement itself would be undertaken in the near future. It would be necessary to take up the points raised in the previous working party report (L/76) before the contracting parties were required to define their position. It was to be hoped that unanimity could be reached among the contracting parties.

Mr. AZIZ AHMAD (Pakistan) recalled that his Government had consistently supported Japan's accession. The various deliberations had produced a solution covering the broadest common ground, but there had been since a fundamental change in the situation in that the basic assumption on which past discussions had been based — that tariff negotiations could be arranged for the purpose of the Japanese accession — was no longer valid. As Japan was not responsible for this change, it should not be made to suffer from the delay that would result.
While supporting the Japanese request for a provisional arrangement, the Pakistan delegation hoped that those contracting parties which had doubts and apprehensions about Japan's participation in the Agreement would join in a further discussion in a working party so that a solution satisfactory to all parties concerned might be found.

Mr. PAPATSONIS (Greece) said that his Government supported the Japanese request but also had sympathy with the point raised by the United Kingdom representative. In fact, the Greek Government shared the apprehensions expressed by the latter to some extent on account of the unpleasant memories of the past. It was, however, to be hoped that a working party would be able to evolve a formula which would allay these fears.

Mr. JAYARATNE (Ceylon) said that Japan's application for adherence, whether on a provisional or definitive basis, presented no difficulty for Ceylon as it had a Treaty in force with Japan providing for mutual most-favoured-nation treatment. As a contracting party, however, his delegation did not consider it appropriate to confine its consideration to a purely national point of view and, taking into account the interests of contracting parties generally, the Government of Ceylon believed that, in principle, Japan's application should be granted; the only question which remained was one of timing. The recommendations of the Intersessional Committee appeared to be the best that could be devised in the circumstances, and the Ceylon delegation was unable to suggest any better solution. It was, of course, generally agreed that a country's participation in the Agreement should be preceded by tariff negotiations, but Japan had been prevented from entering into negotiations by circumstances beyond its control and, consequently, it would not be proper to defer consideration of the Japanese request on those grounds. The apprehensions expressed by certain contracting parties were indeed well founded, and, in the event of Japan's participation in the Agreement, those contracting parties should not be precluded from withholding most-favoured-nation treatment if they so desired. The Ceylon delegation therefore supported the Japanese application for a provisional arrangement as well as the proposed interpretative declaration regarding Article XXIII of the Agreement.

Mr. CLARK (Australia) said that his Government had every sympathy with the Japanese Government's desire to enter fully into international trade and to build up a viable economy. But that attitude was distinct from the view that Australia's assistance to Japan should be given through the medium of the General Agreement. It could not accept commitments along the lines which would preclude it from taking measures which it might be compelled to take in the future. Australia would have to abstain from voting on the proposal.

In reply to questions, the EXECUTIVE SECRETARY said that under the proposal in L/107 no tariff negotiations were anticipated and there would merely be a unilateral undertaking by the Japanese Government to bind a certain
number of tariff items. Individual governments could of course enter into negotiations with Japan, and for the incorporation of the results of such negotiations into the Agreement provisions already existed in the present procedures. In either of the alternative formulae in L/107 it was intended that a contracting party which did not accept or sign the decision would have no obligations towards Japan under the Agreement; and equally Japan would acquire no obligation towards that contracting party; the failure to vote in favour of the arrangement would be analogous to having recourse to Article XXXV. He also pointed out that the Agreement at present applied between all contracting parties except those resorting to Article XXXV, even though there had been no direct tariff negotiation between them.

Mr. PRESS (New Zealand) said that his Government believed in, and had taken steps to promote the extension of, trade between Japan and New Zealand. The question confronting the CONTRACTING PARTIES, however, was not the trade of Japan, with respect to which it would be within the power of every contracting party to take steps for its promotion, but whether a country should be allowed to accede to the Agreement on an entirely new and unprecedented basis. Regardless of the identity of the country in question, the New Zealand delegation felt that the proposed procedure - that is accession to the Agreement without tariff negotiations - was not one to which it could agree. In view of the fact that many contracting parties had considered it to be the best method that could be devised in the circumstances, the New Zealand delegation would not oppose this solution, but would abstain from voting on the proposed decision.

The CHAIRMAN, summing up the discussion, recalled that four contracting parties had said they could not support the Japanese request and would abstain from the decision, one had not defined its position, and thirteen had spoken in favour of the request. Some contracting parties, in giving their support, had indicated that they might seek some changes in the schedule of bound items proposed by Japan and diverse views had been expressed on the question of the interpretative declaration on Article XXIII. The CONTRACTING PARTIES seemed to be generally disposed to appoint a working party to go into all these questions. Accordingly, the Chairman would make a proposal on the composition and terms of reference of the working party at the next meeting.

The meeting rose at 12.45 p.m.