

31 October 1955

Accession of Japan: Discussion on the Japanese Statement  
of 23 October 1955

On 28 October, Mr. T. Takasaki, Japanese representative to the Tenth Session of the Contracting Parties, made a statement referring to the problems raised for his Government and to the disappointment of his Government following the invoking of Article XXXV by fourteen governments in respect of Japan's accession. Mr. Takasaki's statement is reproduced in press release GATT/247. (Article XXXV permits a contracting party to withhold application of the Agreement from another contracting party with which it has not entered into tariff negotiations.)

Opening the discussion of the Japanese statement, Dr. C.M. Isbister, Canada, said that Canada was not among the countries which had invoked Article XXXV and had always supported Japan's accession without qualifications. He regarded this Article as an exceptional one and he agreed with Japan that every effort should be made to find a solution. Because the problem was so important he had little doubt that a solution could be found. But such a solution should not impair the existing rules of GATT.

Mr. G. Aziz Ahmad, Pakistan, said that in Pakistan's case there had been a certain hesitation before deciding not to invoke Article XXXV. Pakistan started to industrialize in 1948-1949; until then it had been a purely agricultural country. Against this background Pakistan had decided that, even though Japan had been highly industrialized for many years, Japan must become a full member and Pakistan must grant full GATT treatment. He fully appreciated the deep difficulties of other contracting parties, although he was sorry and disappointed to realize that 14 contracting parties who are responsible for a substantial proportion of world trade, were unable to give Japan full GATT treatment. It was essential that another effort (following the attempt to find a solution in 1953) should be made to see how the political, psychological and economic difficulties could be overcome. He suggested that a small group of interested countries might undertake discussions with Japan on an informal basis.

Baron C.A. Bentinck, Netherlands, whose Government had invoked Article XXXV, stated that his Government had supported Japan's application for accession so as to permit Japan to take part in the economic cooperation which has been and will further be developed under GATT. He welcomed Japan as a full member. But in view of certain aspects of Japanese competition in the field of trade his Government had not been able to find in the GATT sufficient guarantees in order to extend to Japan, immediately and without any reservations, the full and unconditional application of the provisions of the GATT. His Government wishes to make it clear, however, that its recourse to Article XXXV was temporary and would be terminated as soon as possible. His Government felt there were reasons for hoping that the development of the Japanese economy and economic policy would after a certain time permit the Netherlands to withdraw its present reservations. Baron Bentinck made it clear that in the meantime the Kingdom of the Netherlands continues to accord most-favoured-nation treatment to Japan in the field of tariffs and applies most of the obligations of the GATT, despite the invoking of Article XXXV. He concluded by stating that his Government would at all times be interested to hear any specific ideas which the Japanese delegation might deem useful in order to arrive at full GATT relationships with all contracting parties.

Mr. J.A. Barboza-Carneiro, Brazil, regretted that his Government, which was opposed to all forms of discrimination, found it necessary to resort to Article XXXV, but this was unfortunately unavoidable because Brazil was still conducting tariff negotiations with Japan. He hoped that a satisfactory outcome would soon be reached in which the present situation would disappear. He appreciated the difficult position of the Japanese delegation and considered that everything possible should be done to facilitate their task.

Shri L.K. Jha, India, said how pleased he was to see Japan as a full contracting party and how sorry he was that India was not able to assume full GATT obligations to Japan immediately. These views had been expressed in public by his Minister in Parliament. Turning to the wider aspects of the problem, he said that one was apt to think of Article XXXV being invoked against Japan, whereas legally both sides were free from obligations. Not only had a number

of countries denied GATT benefits to Japan; they had also lost these obligations in their trade with Japan. Clearly the Contracting Parties wanted to retain this Article; it had been considered in the Review of the GATT and only minor changes had been made. Mr. Jha then made the point that the situation that had arisen did not involve a group of countries on the one hand and Japan on the other. It had arisen between Japan and individual countries. The right solution would therefore emerge through direct discussions between individual contracting parties and Japan, for each party had its own problems, and a country by country approach was more likely to be fruitful. In India, he said, the consideration of the problem had been influenced not by pre-war but by post-war experience. Although only small items had been affected and there was no serious damage to the economy, the industries concerned had good reason to ask the Government to be cautious before accepting the full GATT obligations towards Japan. In spite of this experience India had refrained from doing anything inconsistent with GATT obligations, but India had reserved the right to do so when no other solution was workable. The Indian Government would be very happy if the application of Article XXXV could be withdrawn and he suggested that frank discussions might be held between some delegations and Japan to see in what conditions some governments could change their positions.

M. P.A. Forthomme, Belgium, said that his delegation wished to maintain contact with the Japanese delegation to study possible solutions. His Government, like the Netherlands Government, would continue to apply full GATT treatment towards Japan. He said that the invoking of Article XXXV was for domestic reasons and implied no disrespect towards Japan.

M. A. Duhr, Luxembourg, said that the position of his Government was in common with that of the Netherlands and Belgium.

Dr. H. Standenat, Austria, said that his country granted most-favoured-nation treatment to Japan but was obliged to invoke Article XXXV as a provisional measure to safeguard certain aspects of the Austrian economy. In her present condition Austria was obliged to avoid all perturbations in her economic life. He agreed that the best method of proceeding would be through informal contacts.

Mr. J.C.H. Bonbright, United States, referred to his comments at the beginning of the Session (press release GATT/245) and restated the interest and concern of the U.S. Government and of its willingness to participate in finding a solution.

Mr. C.W. Sanders, United Kingdom, said that the difficulties faced by the United Kingdom in assuming the obligations of GATT to Japan had never been disguised and the U.K. position, which was reached after much deliberation, was explained in a policy statement in April 1955. This stated why the U.K. could not accept full GATT obligations but looked forward to a time when U.K. trading relations with Japan would develop in such a way as to enable the U.K. and the colonies to give Japan full GATT treatment. Mr. Sanders said he appreciated the considerations of the Japanese Government in raising this problem, but in his view he could not envisage that further discussion of general formulae for resolving the problem would lead the U.K. to modify or deviate from the course mapped out in the policy statement.

M. A. Philip, France, said that although France had invoked Article XXXV, this did not imply any lack of sympathy for Japan's economic difficulties. France had worked towards Japan's accession and he was personally glad to see Japan sharing in the work of GATT. He appreciated the moderation and tact of the Japanese delegation. The French Government had decided to invoke Article XXXV after thorough study, because GATT does not give sufficient safeguards against granting full most-favoured-nation treatment. M. Philip said that today Japan's export prices are on the average lower than world prices. This, he said, is not the result of pre-war trade practices. They result from a special social situation, namely that Japanese standards of living are lower than in the European industrialized countries, while their industrial techniques are advanced. Everyone appreciated that Japan must import food for her existence and must pay for it through exports. But Japanese standards of living are not equal to those of her competitors. This was no reproach to Japan, he added. M. Philip said that the problem called for action on a broad front at the international level. The Contracting Parties were limited by their terms of reference to dealing with trade matters and were not the competent

organ for examining this problem as a whole. M. Philip said that the main difficulties for France were caused by a combination of two factors; first, the industrialization of overseas territories and secondly the structural crisis of the textile industry in Metropolitan France. With the rapid industrialization the young industries in under-developed territories need protection. At the same time the metropolitan textile industry which was a great exporter in the 19th century is now trying to find markets by extending in the domestic sphere. In France's case the textile problem is particularly serious. Japanese statistics show, he said, that in 1951 in the Japanese textile industry 90% of the workers are females; of these, 73% are between 15 and 20 years of age; the nominal monthly wages, in 1951, were 15,600 yen for males and 6,800 yen for females. France, he said, had signed the ILO Convention guaranteeing equal wages for both sexes. A difference of more than 50% between male and female wages in an industry employing 90% female labour provides a type of competition beyond anything envisaged in the GATT. In conclusion, M. Philip congratulated the Japanese Government on the elimination of pre-war trading difficulties. In the commercial framework of GATT France was obliged to invoke Article XXXV, but this attitude was not final and the French Government was ready to study any satisfactory formula in the interest of both parties.

The Chairman, Mr. L. Dana Wilgress, summarizing the discussion, said that there was a general desire to examine the situation that had arisen and an effort should be made to find a solution. Time would be required for reflexion both at Geneva and in the national capitals. The problem could be informally explored between the Japanese and other individual delegations. He regarded this discussion as a first round and would revert to the matter later in the Session.

Mr. T. Haguiwara, Japan, thanked the delegates who had taken part in the discussion and agreed with the Chairman's suggestion for informal discussions between the Japanese and other delegations.