1. The GATT Ad Hoc Committee for Intersessional Business met at Geneva from 2 to 13 February to examine the conditions under which the application of the Government of Japan to accede to the GATT could be pursued. The Committee had been instructed by the CONTRACTING PARTIES at their Seventh Session held in the autumn of 1952 "to undertake a detailed examination of the matters involved in this application" and to report on them to the Contracting Parties. The meetings of the Ad Hoc Committee, which comprises the representatives of the following governments:

   Australia    Cuba    Italy
   Belgium      Denmark  Pakistan
   Brazil       France   Union of South Africa
   Canada       Germany  United Kingdom
   Chile        India    United States

were attended by observers representing other contracting parties and international organizations. The Government of Japan also sent observers who attended the meetings of the Committee.

2. As a result of the detailed examination of the question referred to it, the Committee has been able to clarify the various issues involved and to submit to the CONTRACTING PARTIES a report which contains constructive suggestions representing substantial progress in the consideration of the application of Japan to accede to the General Agreement.

3. The Committee first reached agreement on the following points:

   (a) that Japan should take its rightful place in the community of trading nations, and that an increased participation in world trade was imperative for that country;

   (b) that there was no intention of preventing competition arising from a genuine advance in the long-run efficiency of Japanese production;

   (c) that the provisions of the GATT provided adequate safeguards against most of the difficulties which might arise from the accession of Japan to the GATT, and:

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(d) that if additional safeguards were found necessary to meet special difficulties feared by certain countries, these safeguards should be of general application, so that Japan would be in a position to accede to the General Agreement with the same rights and obligations as any other contracting party.

4. The Committee noted however that, in spite of the changes that have taken place in the circumstances of production and export in Japan, many quarters still feared that conditions similar to those existing in the pre-war years might recur. The Committee recognized that contracting parties were entitled to obtain protection against the adverse consequences which might result for a significant sector or sectors of their production from a violent disruption of trading conditions arising from exports from a particular contracting party and examined what would be the best method of allaying the fears which still existed. To that end, the Committee considered several suggestions including a proposal which would enable a contracting party affected by such a situation to take emergency action on its own responsibility, subject only to a consultation procedure. The general view was that such a proposal would involve amending the General Agreement and departing seriously from the basic principles of the Agreement. Further such a drastic change was considered to be unnecessary since Article XXIII covered the type of situation which was envisaged and enabled contracting parties, in certain defined circumstances, to take the kind of measure which was considered appropriate to meet such an eventuality. (Article XXIII deals with Nullification and Impairment. Complaints that benefits which should accrue under the GATT are being nullified or impaired are to be the subject of consultations between the parties concerned. If no satisfactory adjustment is effected, the Contracting Parties may be asked to investigate and to give rulings; they may authorize injured parties to suspend obligations or concessions.)

In order to allay the fears expressed by members of the Committee that the procedures of Article XXIII might delay the taking of the necessary action by the contracting parties affected and thus defeat the purposes of any emergency action, the Committee agreed to suggest to the CONTRACTING PARTIES
that they should adopt specific procedural arrangements which would be applied if and when a violent disruption of trading conditions was produced or threatened as a result of the export policy of a contracting party. It was hoped that such suggestions, if adopted, would meet the views both of, the governments which stressed the need for prompt action in the case of such disruption of trading conditions and of those which saw grave objections in modifying the rights and obligations of the contracting parties to meet the problems involved by the request of Japan to accede.

5. The Intersessional Committee was also instructed by the CONTRACTING PARTIES to consider the timing of arrangements connected with the application of the Government of Japan. On this point, the Committee felt that it was not in a position to make any specific recommendations at this time. The Committee noted in this connection that in the view of certain contracting parties, the question of the accession of Japan could not be isolated from other major tariff issues which would have to be considered before the end of 1953, such as the desirability of further tariff negotiations between the present contracting parties and the question of the extension of the assured life of the tariff concessions agreed upon at Geneva, Annecy and Torquay. It was felt moreover that there would be, both for Japan and for the contracting parties, a distinct advantage and no real disadvantage if it were possible to combine the negotiations directed towards the accession of Japan to the GATT with a further effort to bring about a general lowering of the tariff barriers.

6. Finally, the Committee has recommended that the CONTRACTING PARTIES should be prepared to meet as soon as possible in a special session in order to take a final decision on the various problems involved in the application of Japan for accession to the GATT.