1. As mentioned in paragraph 36 of its principal report (L/334), Working Party III devoted considerable attention to the subject of the liquidation of non-commercial stocks. While a majority of the Working Party would have preferred a new article to the Agreement requiring that a contracting party should consult with interested contracting parties before the liquidation of such stocks, it came to the conclusion that unanimous agreement on such an Article would be impossible. The Working Party accordingly recommends that the CONTRACTING PARTIES adopt the resolution which appears in the annex to the present report.

2. The Working Party were also agreed that the terms of this resolution shall not apply to the routine disposal of stocks to avoid deterioration or to the rotation of stocks which does not have the effect of altering significantly the total of the stockpile, but that in such cases the contracting party concerned should act in a manner which would avoid any undue disturbance of the market. It was also understood that the terms of the resolution should not apply to the utilization of strategic stocks for the purposes of national defense.

3. The Working Party were further agreed that where a contracting party follows the procedure of giving public notice of intention to liquidate stocks, such notice would be understood to satisfy the first recommendation contained in the resolution.

4. The Working Party were agreed that this resolution does not alter the force of any provision in the Agreement.

5. The representative of Ceylon reserved his position on such a resolution, since his preference had been for a new article. As a result of the adoption of the recommendation, the representative of Chile withdrew his reservation with respect to the recommendation to eliminate paragraph (c) of Section II of Article XX (L/334).
ANNEX

DRAFT RESOLUTION ON THE LIQUIDATION
OF STRATEGIC STOCKS

The CONTRACTING PARTIES

RECOGNIZING

1. That if a contracting party should liquidate a substantial part or
the whole of stocks of a primary product accumulated as part of a national
stockpile for purposes of national defense, such liquidation without ade­quate regard to the commercial interests of producers and consumers of the
primary product affected could cause serious damage by unduly disrupting
world markets;

2. That any disturbing effects of such liquidations and the risk of
injury may be avoided or minimized by consultations between the substan­
tially interested contracting parties;

NOTING

That contracting parties holding stocks of primary products accumu­lated as a part of a national strategic stockpile for purposes of national
defense, and wishing to liquidate such stocks, in whole or in part, intend
to proceed with such liquidation, insofar as practicable, in such manner as
to avoid or minimize injury to the interests of producers and consumers
of the primary product affected and any undue disruption of world markets
for such primary products;

RECOMMEND

1. That, whenever practicable, any contracting party intending to
liquidate a substantial quantity of such stocks should give at least
forty-five days prior notice of such intention;

2. That a contracting party, intending to liquidate and giving notice
in accordance with paragraph 1, should consult fully with any contracting
party which considers itself substantially interested and requests such
consultations, with a view to avoiding or minimizing substantial injury
to the economic interests of that contracting party and undue disruption
of the markets for the product concerned and should give full and sym­pathetic consideration to the views expressed by such other interested
contracting parties.