ARTICLE XVI

SUBSIDIES

Proposed draft presented by the United States Delegation

1. If a contracting party grants or maintains any subsidy, including any form of income or price support, which operates directly or indirectly to increase exports of any product from, or to reduce imports of any product into, its territory, it shall promptly notify the Organization in writing of the extent and nature of the subsidization, of the estimated effect of the subsidization on the quantity of the affected product or products imported into or exported from its territory, and of the circumstances making the subsidization necessary. The contracting party granting such a subsidy shall, on request of any other contracting party which considers that serious prejudice to its interest is caused or threatened by the subsidization, promptly discuss with such other contracting party, or with the Organization, the possibility of limiting the subsidization.

2. Except with respect to any agricultural product and subject to the provisions of paragraph 3, no contracting party shall grant directly or indirectly any form of subsidy on the export of any product, which subsidy results in the sale of such product for export at a price lower than the comparable price charged for the like product to buyers in the domestic market.

3. The contracting parties recognize that a subsidy on an agricultural product may result in obtaining for the country granting the subsidy more than an equitable share of world export trade in that product with harmful effects to the interests of other contracting parties and prejudice to the objectives of this Agreement. Accordingly, if a contracting party grants any form of subsidy which operates to increase the export of an agricultural product from its territory, such subsidy shall not be applied in a manner which results in that contracting party having more than an equitable share of world trade in the product, account being taken of the shares of the contracting parties in such trade in the commodity during a previous representative period and any special factors which may have affected or may be affecting such trade in the product.

4. The Organization shall review the operation of the provisions of this Article from time to time with a view to examining its effectiveness, in the light of actual experience, in promoting the objectives of this Agreement and avoiding subsidization seriously prejudicial to the trade of contracting parties.