ARTICLE XVI - SUBSIDIES

Draft Article submitted by the French representative

1. The grant by a contracting party of any form of direct or indirect subsidy on the exportation of a product is considered contrary to sound commercial practice whenever such 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.

Contracting parties who, on the date of entry into force of this article, grant subsidies, undertake to abolish them by [ ]

2. During this period, which shall be considered transitional, any contracting party granting or maintaining any subsidy, including any form of income or price support, which operates directly or indirectly to increase exports of any product or to reduce imports of this product into its own territory, will notify without delay the Organization in writing of the importance and nature of the subsidization, if the effects which may be expected on the quantities of the product or products in question exported from or imported into its territory, and of the circumstances making the subsidization necessary.

3. Subsidies granted during the transitional period should not in any case have the effect of acquiring for the countries granting the subsidy a share of world export trade in that subsidized product greater than the equitable share due to it, or of provoking a price movement in the market which would compel the other sellers to proceed to a price reduction which would not be necessary if no subsidy were being granted.

4. If a contracting party considers that another contracting party, contrary to the provisions of the preceding paragraph, is granting a subsidy which causes or threatens to cause serious prejudice to its interests, it may appeal to the Organization which may, without prejudice to the procedure set out in Articles XII and XIII, invite the contracting party in question to enter into consultations. Following these consultations, the CONTRACTING PARTIES may recommend any measure which they may consider capable of remedying this situation.