The Working Party discussed proposals by the Governments of Denmark, Norway and Sweden to add an interpretative note to paragraph 2 of Article XXIII. The representative of the Scandinavian countries, when introducing the proposals, underlined the need to maintain a general level of reciprocal and mutually advantageous concessions not less favourable to trade than that provided for in the original situation, and the consequent desirability of resort being had to retaliatory action only when all other possibilities had been explored.

The proposal was withdrawn in the light of the agreement by the Working Party that, subject to the qualifications explained in the following paragraph of this Report, the understanding set out in the proposed interpretative note represented both the intention of the Article and the practices the CONTRACTING PARTIES had hitherto followed in applying its provisions. The Working Party considered that the special circumstances referred to in paragraph 2 of the Article covered only cases where the suspension of the application to any other contracting party or parties of obligations or concessions either was necessary to prevent serious economic consequences to the country for which a benefit had been nullified or impaired, or was the only means of restoring the original balance of obligations and concessions when endeavours to solve the problem through the withdrawal of the measures in question, the substitution of other concessions, or some other positive action had not proved to be possible.

The Working Party felt that any implication (such as had existed in the Scandinavian proposal) that the provision of compensation was a satisfactory alternative to the removal of the measures causing the damage would not accord with the intent of the Article. In their view, the first objective, if the CONTRACTING PARTIES decided, in the event of a complaint under Article XXIII, that certain measures were inconsistent with provisions of the Agreement, should be to secure the withdrawal of the measures. The alternative of providing compensation for damage suffered should be resorted to only if the immediate withdrawal of the measures was impracticable and only as a temporary measure pending the withdrawal of the measures.