1. The Third Committee of the Conference held its first meeting on 26 November 1947 under the Chairmanship of the President, Mr. Sergio I. Clark. The Honourable L. D. Wilgress, leader of the delegation of Canada, was unanimously elected Chairman, and the Committee began its studies of Chapter IV, Commercial Policy, at its second meeting on 29 November.

2. Mr. Walter Muller (Chile) was elected Vice-Chairman, but it was learned that Mr. Muller would be unable to accept office and Mr. E. Puig Arosemena (Ecuador) was then appointed in his stead. Later Mr. E. Puig Arosemena returned to Ecuador and on 18 December Mr. Lleras Restrepo (Colombia) was elected Vice-Chairman.

3. The amendments submitted by delegations were compiled in an Annotated Agenda which was issued on 8 December in six parts:

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4. The First Reading of the Chapter and the preliminary discussion of the amendments continued up to and including the twenty-eighth meeting on 8 January. During the First Reading of the six Sections of the Chapter, ten Sub-Committees were appointed including a Joint Sub-Committee with Committee II on Tariff Preferences.

5. The Second Reading of the Chapter and consideration of the Sub-Committee Reports began at the thirtieth meeting on 31 January and were completed at the forty-seventh meeting on 17 March. All of the Sub-Committee Reports were /approved in
approved in full, subject to a few changes in the text of the Articles as noted in this Report.

6. The Reports of the Central Drafting Committee, recommending improvements in the English and French texts of the Chapter, are listed below:

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7. Committee III now submits for the approval of the Conference the text of Chapter IV attached to this Report subject to the following RESERVATIONS:

**SECTION A**

**Tariffs, Preferences, and Internal Taxation and Regulation**

**Article 16: General Most-favoured-nation Treatment**

*Bolivia, Dominican Republic, Ecuador, Haiti and Iraq.*

*Chile and Syria* - on paragraph 1, pending the decision of the contracting parties on the final text of Article I of the General Agreement.

*Uruguay* - on Annex A.

**Article 17: Reduction of Tariffs and Elimination of Preferences**

*Switzerland* - on the interpretation of the term "mutually advantageous" to cover negotiations relating both to tariff and other related matters.

*Mexico* - on paragraph 3, pending decision of the contracting parties to the General Agreement on the question of supersession.

*Cuba* - on paragraph 4.

**Article 18: National**
Article 18: National Treatment on Internal Taxation and Regulation

Switzerland.
Cuba - on paragraph 2.
Argentina - on paragraph 3.
Brazil and Ceylon - on paragraph 6.

SECTION B

Quantitative Restrictions and related Exchange Matters

Switzerland.

Article 20: General Elimination of Quantitative Restrictions

Argentina.
Bolivia
Ceylon

Article 21: Restrictions to safeguard the Balance of Payments

Argentina - on paragraphs 4 (a) and 5.

Article 22: Non-discriminatory Administration of Quantitative Restrictions

Bolivia
Argentina - on paragraphs 2, 3 and 4.

Article 23: Exceptions to the Rule of Non-discrimination

Argentina.

Article 24: Relationship with the International Monetary Fund and Exchange Arrangements

Argentina.

SECTION C

Subsidies

Peru - re different treatment as between subsidies affecting exports and those affecting imports.

Article 25: Subsidies in General

Bolivia.
Cuba - re indirect subsidization of domestic industries by means of internal tax remission.

Article 26: Additional Provisions on Export Subsidies

Argentina - on paragraph 3.

Article 27: Special Treatment of Primary Commodities

Argentina - on paragraph 4.
Peru - on paragraph 5, re elimination of prior approval for export subsidies on primary commodities.

Article 28: Undertaking
Article 28: Undertaking regarding Stimulation of Exports of Primary Commodities

Article 31A: Liquidation of Non-commercial Stocks

Article 32: Freedom of Transit

Article 33: Anti-dumping and Countervailing Duties

Article 34: Valuation for Customs Purposes

Article 35: Formalities connected with Importation and Exportation

Article 36: Marks of Origin

Article 37: Publication and Administration of Trade Regulations

Article 40: Emergency Action on Imports of Particular Products

Article 42B: Customs
Article 42B: Customs Unions and Free-trade Areas

Argentina, Chile, Peru and Venezuela - on paragraph 2, re the inclusion of the words "as between the territories of Members".

Australia and New Zealand - on paragraphs 4 and 5.

Article 43: General Exceptions to Chapter IV

Argentina, Ecuador and Uruguay - on paragraph 1 (a) (xi).

Argentina - on paragraphs 1 (b) (iii) and 2.

8. The work of the ten Sub-Committees and of the treatment of their Reports by Committee III may be reviewed briefly as follows:

JOINT SUB-COMMITTEE OF COMMITTEES II AND III ON TARIFF PREFERENCES

ARTICLES 16 AND 42

Chairman - Mr. Stig SAHLIN (Sweden), succeeded by Mr. J. ROYER (France).

Members - The representatives of Argentina, Belgium, Brazil, Canada, Chile, El Salvador, France, Haiti, Iran, Poland, Sweden, Syria, Turkey, the United Kingdom, the United States and Venezuela.

Date of Appointment - 17th Meeting of Committee III, 22 December.

Number of Meetings - Fourteen.


Second Reading of Committee III - 43rd and 44th meetings, 10 and 11 March.

General Comments - The Joint Sub-Committee, in its study of Articles 15, 16 and 42 and in its examination of the amendments proposed by delegations, took into account most of the problems which arise from exceptions to the most-favoured-nation clause for the establishment of tariff preferences. The detailed examination of the amendments was consigned to a Working Party which held twenty-nine meetings.

For Article 15 a new text was prepared by the Working Party, but at a later stage in the discussions it was taken up by the Co-ordinating Committee of the Conference and was included in the over-all settlement of issues related to Economic Development. The Joint Sub-Committee's Report on Article 15 was presented to Committee II in E/CONF.2/C.2/42.

For Articles 16 and 42, the Sub-Committee's Report was submitted to Committee III. The changes proposed in Article 16 were accepted without much discussion and the Committee also approved the request of the delegation of Turkey (E/CONF.2/C.3/77/Rev.1) for the insertion of a paragraph providing for preferences established under Article 15 between countries belonging to the Ottoman Empire prior to 1923, and the request of Venezuela (E/CONF.2/C.3/79) for exemption for a period of five years for special surcharges levied
surcharges levied on products imported via certain territories.

Committee III adopted the recommendation that Article 42 should be divided into three Articles dealing separately with the Territorial Application of Chapter IV, Frontier Traffic, and Customs Unions and Free-Trade Areas. The first of these three Articles was amended by a Working Party prior to final approval. The recommendation of the Sub-Committee extending the third to cover free-trade areas as well as customs unions was accepted, but the Committee decided to preface the first paragraph with a statement recognizing the desirability of increasing freedom of trade by the development of close integration between national economies through voluntary agreements.

The text of Articles 16 and 42, as approved in Second Reading, was issued in E/CONF.2/C.3/85.

SUB-COMMITTEE A ON TARIFF NEGOTIATIONS, INTERNAL TAXATION AND REGULATION

ARTICLES 16 TO 19

Chairman - Mr. G. A. LANSVELT (Netherlands).

Members - The representatives of Australia, Brazil, China, Colombia, Cuba, Denmark, France, Mexico, Netherlands, New Zealand, Peru, Turkey, the United Kingdom, the United States and Uruguay. The delegate for Norway replaced the delegate for Denmark when Articles 18 and 19 were under discussion.

Date of Appointment - 9th Meeting of Committee III, 12 December.

Number of Meetings - Thirty-eight.


Second Reading in Committee II - 39th, 40th and 41st Meetings on 18 to 20 February.

General Comments - In Article 16 two paragraphs were added: (1) to bring into the text of the Article, from two of the Annexes, a provision relating to the imposition of a margin of tariff preference to compensate for the elimination of a margin of preference in an internal tax, and (2) to give recognition to the principle that tariff descriptions based on distinctive regional or geographical names should not be used in such a manner as to discriminate against products of Member countries. Committee III decided to transfer the second new paragraph to Article 35. Further, an interpretative note defining the term "margin of preference" was appended to Article 16 as had been done in the corresponding Article of the General Agreement on Tariffs and Trade. In Annex A the Sub-Committee altered the provisions for the elimination, or replacement by tariff preferences, of certain preferential arrangements between the United Kingdom and Canada, Australia and New Zealand on the trade in meat.

In Article 17, the
In Article 17, the rules for the conduct of tariff negotiations between Members were extended and clarified. Paragraph 4, relating to the failure of a Member to carry out negotiations, was revised by the Sub-Committee, and Committee III added "reconstruction" to the specified needs of Members to be taken into account along with other relevant circumstances by the Organization in judging the justification for a failure to carry out negotiations. This paragraph was further amended by the Co-ordinating Committee of the Conference (E/CONF.2/C.3/68/Corr.3) in conjunction with the over-all settlement of issues on economic development which included also the decision that the Charter should not provide for the establishment of a Tariff Committee. This involved the deletion of paragraph 5. The Sub-Committee added two interpretative notes to Article 17: the first deals with the treatment of an internal tax, applied to a product which is not produced domestically, as a customs duty in certain circumstances; and the second provides that the effects of the devaluation of a Member's currency or of a rise in prices would be a matter for consideration during tariff negotiations.

Article 18, which deals with national treatment on internal taxation and regulation, was extensively revised and clarified, but the general principle that internal taxes and regulations should not be applied in such a manner as to afford protection to domestic production was preserved. During consideration of the Sub-Committee's Report certain delegations suggested that a special exception would be warranted for certain discriminatory internal taxes, and a Working Party was appointed to review the problem once more. The Report of the Working Party (E/CONF.2/C.3/71) contained no definite recommendation; it was discussed at the Forty-Second Meeting of the Committee on 8 March but it was found that there was no substantial support for any change in the text.

The text of these Articles, as approved by Committee III in Second Reading, was issued in E/CONF.2/C.3/68.

SUB-COMMITTEE B ON DISCRIMINATION IN SHIPPING AND INSURANCE SERVICES

PROPOSED ARTICLE 18A

Chairman - Dr. J. E. HOLLOWAY (Union of South Africa).

Members - The representatives of Argentina, France, Greece, India, Norway, Union of South Africa, United Kingdom and Venezuela.

Date of Appointment - 10th Meeting of Committee III, 16 December.

Number of Meetings - Five.


Second Reading in Committee III - 43rd Meeting.

[General Comments]
General Comments - The Sub-Committee concluded that it was desirable to avoid an overlapping of functions and a possible conflict of activities between the International Trade Organization and the Inter-Governmental Maritime Consultative Organization and that therefore questions of shipping should not be dealt with in the Havana Charter. Accordingly, the Sub-Committee recommended that Article 18A should not be adopted and that Committee IV be asked to amend Article 50 to take into account the considerations mentioned above. The Committee decided to recommend to Committee IV that a satisfactory solution be sought for the relation of shipping services to Chapter V in order to avoid conflict with the IMCO. Committee IV inserted an Interpretative Note to Article 50 stipulating that the provisions of that Article would not apply to matters relating to shipping services which are subject to the Charter of the IMCO. In the light of the action taken by Committee IV, Committee III decided at the Forty-Sixth Meeting to adopt the first of the Sub-Committee’s recommendations, rejecting Article 18A.

SUB-COMMITTEE C ON GENERAL COMMERCIAL PROVISIONS
ARTICLES 32 TO 39

Chairman - Mr. C. E. MORTON (Australia).
Members - The representatives of Afghanistan, Argentina, Australia, Canada, Cuba, France, Lebanon, Mexico, Netherlands, Pakistan, Portugal, the United Kingdom, the United States and Uruguay. Norway was also appointed as a member of the Sub-Committee but was succeeded after a few meetings by South Africa.

Date of Appointment - 15th Meeting, 19 December.
Number of Meetings - Nineteen.
Second Reading in Committee III - 30th, 31st and 32nd Meetings on 31 January and 4 and 5 February.

General Comments - The amendments introduced by the Sub-Committee include:
(1) In Article 33, the insertion of a statement recognizing that dumping is to be condemned if it causes or threatens material injury to an established industry in a Member country or materially retards the establishment of a domestic industry;
(11) The insertion of an additional Interpretative Note on paragraph 3 of Article 34 allowing Members to continue in certain circumstances with existing systems of applying ad valorem rates of duty to established values;
(iii) The addition of a new paragraph to Article 35 giving recognition to the principle that tariff descriptions based on distinctive regional or geographical names should not be used in such a manner as to discriminate against products of Member countries; and
(iv) The deletion
(iv) The deletion of Article 39 on Boycotts.

In the course of discussion in Second Reading, Committee III established two Working Parties whose reports are contained in E/CONF.2/C.3/41 and E/CONF.2/C.3/48. These Reports were approved by Committee III at the 31st and 34th meetings; the first involved the insertion of an Interpretative Note on paragraph 9 of Article 32 and the second introduced an extension of the Note on paragraph 3 of Article 34 mentioned under (ii) above. Also the Committee agreed to the deletion of a paragraph inserted by the Sub-Committee in Article 32 which provided that transportation charges on traffic in transit were not to be considered as falling within the purview of that Article, and added instead an Interpretative Note to paragraphs 3, 4 and 5 explaining that the word "charges" in the English text is not to be deemed to include transportation charges.

At a subsequent meeting, the 36th, the Committee added a paragraph to Article 33 dealing with systems for the stabilization of domestic prices which result at times in the sale of products for export at prices lower than the comparable prices charged for the like products to buyers in domestic markets. The paragraph thus added to Article 33 is similar to a paragraph in the corresponding Article of the General Agreement on Tariffs and Trade.

The text of Section E as approved in Second Reading was issued in E/CONF.2/C.3/60 and E/CONF.2/C.3/60/Add.1.

SUB-COMMITTEE D ON SPECIAL PROVISIONS

ARTICLES 40, 41 AND 43

Chairman - Mr. R. J. SHACKLE (United Kingdom).
Members - The representatives of Argentina, Belgium, Colombia, Denmark, France, Iraq, Italy, Peru, Southern Rhodesia, United Kingdom and the United States.

Date of Appointment - 17th Meeting, 22 December.
Number of Meetings - Eight.
Second Reading in Committee III - 32nd and 33rd Meetings on 5 and 6 February.

General Comments - Only slight changes in the texts of Articles 40 and 41 were introduced by the Sub-Committee. In Article 43, two new exceptions to the provisions of Chapter IV were inserted, namely, for measures necessary to the enforcement of laws and regulations relating to public safety, and for measures taken in pursuance of inter-governmental agreements relating to the conservation of fisheries resources, etc.

/During the Second
During the Second Reading by Comité III, two Working Parties were established; their reports (documents E/CONF.2/C.3/49 and E/CONF.2/C.3/52) were approved at the Thirty-Fourth and Thirty-Fifth Meetings. The former introduced an extension of the Interpretative Note to Article 40, dealing with the non-discriminatory aspect of emergency action on imports of particular products, while the latter postulated that situations developing from the fulfilment by a Member of its obligations under Article 3 or 9 might constitute an "unforeseen development" for the purpose of Article 40.

The Committee also considered and approved the proposal of the representatives of Argentina, Ecuador, Guatemala and Uruguay (document E/CONF.2/C.3/46/Rev.1) to add an Interpretative Note to Article 41 on the obligations of Members to supply information on regulations for the protection of human, animal or plant life or health.

The texts of Articles 40, 41 and 43, as approved by the Committee, were issued in E/CONF.2/C.3/61.

SUB-COMMITTEE E ON QUANTITATIVE RESTRICTIONS

ARTICLES 20 AND 22

Chairman - Dr. J. E. HOLLOWAY (Union of South Africa).

Members - The representatives of Ceylon, Chile, China, Colombia, Egypt, France, Ireland, Mexico, Netherlands, New Zealand, Peru, South Africa, Sweden, the United Kingdom and the United States.

Date of Appointment - 21st Meeting, 30 December.


Second Reading in Committee III - 37th Meeting, 16 February.

General Comments - The Sub-Committee established nine Working Parties to consider in detail the proposals contained in the Annotated Agenda.

In its Report to Committee III, the Sub-Committee recommended a few changes in the text of the Articles and the addition of several interpretative notes explaining and clarifying certain passages of the text.

In Article 20, the Sub-Committee inserted two sub-paragraphs. The first provides that import restrictions on agricultural or fisheries products, applied in connection with the enforcement of governmental measures of control on domestic production or marketing, shall be applied only so long as those measures are in force and shall not operate in such a way as to prevent imports in quantities sufficient to satisfy demand for current consumption during times of the year when domestic supplies are not available. The second requires that notice in writing of an intention to introduce import restrictions shall be given to the Organization and to Members having a substantial interest in supplying the products concerned with a view to the holding of prior consultations.

In Article 22,
In Article 22, a sub-paragraph has been inserted providing for the release of Members from the obligation of giving public notice of the total quantity or value of quotas when the interests of the Member concerned would be prejudiced by reason of the fact that a large part of the imports of the products affected are supplied by non-Members.

The amendments proposed by the Sub-Committee were adopted in Second Reading and the revised text of Articles 20 and 22 was issued in E/CONF.2/C.3/69.

SUB-COMMITTEE F ON RESTRICTIONS TO SAFEGUARD BALANCE OF PAYMENTS

ARTICLES 21, 23 AND 24

Chairman - Mr. J. MELANDER (Norway).

Members - The representatives of Argentina, Australia, Belgium, Brazil, Canada, Cuba, Czechoslovakia, France, Greece, India, Italy, Lebanon, Liberia, Norway, the Philippines, the United Kingdom and the United States.

Date of Appointment - 25th Meeting, 5 January.

Number of Meetings - Fourteen.


Second Reading in Committee III - Article 21, 38th Meeting, 17 February, Articles 23 and 24, 47th Meeting, 17 March.

General Comments - The main change introduced by the Sub-Committee in Article 21 was the insertion of a paragraph stating that it is primarily the responsibility of each Member to safeguard its external financial position and to achieve and maintain stable equilibrium in its balance of payments, that the Organization should promote consultations and action for the purpose of correcting maladjustments in the balance of payments, and that the methods employed by Members to restore equilibrium should be those which will expand rather than contract international trade.

This new paragraph and the other changes proposed by the Sub-Committee in Article 21 were adopted by Committee III and the amended text was issued in E/CONF.2/C.3/69.

The revision of Article 23 proved the most difficult part of the Sub-Committee's work. The Working Party on this Article held meetings regularly from 17 January until 15 March and eventually agreed to recommend a substantially new text. It was evident, however, that the revised provisions governing the exceptions to the rule of non-discrimination might not meet the needs of all Members during the difficult transitional years which still lie ahead, and therefore the principles of the original Genova draft were retained in an Annex. It has been laid down that a Member which before 1 July 1948, provisionally accepts the principles of paragraph 1 of /that text by
that text by its signature of the Protocol of Provisional Application to the General Agreement on Tariffs and Trade, may elect, up to the end of 1948, to operate during the transitional period under the Annex.

Article 23 itself defines the exceptions to the rule of non-discrimination permissible during the post-war transitional period. This transitional period and its application in respect of individual Members are defined by reference to the Articles of Agreement of the International Monetary Fund. The discriminatory measures, including adaptations thereof, permitted under paragraph 1 of the Article may be applied by a Member during the transitional period without the prior approval of the Organization. After the termination of the transitional period for each and every Member provision is made for limited departures from the rule of non-discrimination with the prior approval of the Organization.

The title of Article 24 was altered to read "Relationship with the International Monetary Fund and Exchange Arrangements". A drafting change was made in paragraph 2 while other changes were made in paragraphs 6 and 8 (formerly 9) of the Article.

The Sub-Committee recommended a change in the title of Section B to read "Quantitative Restrictions and Related Exchange Matters". This was approved by the Committee.

The text of Articles 23 and 24 as approved by Committee III in Second Reading was issued in E/CONF.2/C.3/93.

SUB-COMMITTEE G ON THE SWISS PROPOSAL
PROPOSED NEW ARTICLE IN SECTION B

Chairman - Mr. L. P. THOMPSON-MCCAUSLAND (United Kingdom) succeeded by Mr. A. PHILIP (France).

Members - The representatives of Belgium, China, France, Poland, Sweden, Switzerland, the United Kingdom, the United States, Uruguay and Venezuela.

Date of Appointment - 25th Meeting, 5 January.

Number of Meetings - Ten.


Second Reading in Committee III - 45th Meeting, 12 March.

General Comments - The Sub-Committee examined the request of the delegation of Switzerland for the insertion of the following Article:

"A Member, unable to invoke the provisions of Article 21 and finding that its economic stability, particularly in the fields of agriculture and employment, is being seriously impaired or gravely threatened, may take such steps as are necessary for safeguarding its vital interests."

/The Sub-Committee
The Sub-Committee based its enquiries on the assumption that the Member concerned was not eligible to impose quantitative restrictions under Article 21 but was liable to suffer damage from restrictions imposed by other Members under that Article. A variety of factors were discussed by the Sub-Committee as possibly justifying special measures and while no single factor was judged to be sufficient by itself to justify special treatment the Sub-Committee agreed that a number of factors when taken together might represent a combination of circumstances requiring special consideration.

The Sub-Committee found that the solution proposed by the delegation of Switzerland would constitute too great a weakening of the principles of the Charter. However, in view of the recognition of the special consideration required to be given to the case of Switzerland, the Sub-Committee recommended that the Conference should direct the Interim Commission to invite the Swiss Government to participate in a study of the problems facing the Swiss economy with a view to submitting to the first Conference of the Organization a report as to the measures for dealing with the Swiss problem which could be taken in accordance with the procedures established in the Charter.

The Committee approved this recommendation.

SUB-COMMITTEE II ON SUBSIDIES
ARTICLES 25 TO 29

Chairman - Mr. E. McCARTHY (Australia), succeeded at the seventh meeting by Mr. G. WARWICK SMITH (Australia).

Members - The representatives of Argentina, Australia, Brazil, Canada, Cuba, Denmark, France, Netherlands, Peru, Philippines, Sweden, Turkey, the United Kingdom, the United States and Venezuela.

Date of Appointment - 27th Meeting of Committee III, 7 January.

Number of Meetings - Eight.


Second Reading in Committee III - 36th Meeting, 14 February.

General Comments - A large part of the work of the Sub-Committee was performed by a Working Party which held ten meetings.

The main changes in Section C are in Articles 27 and 28. The new paragraph 5 (replacing paragraph 3 of the Geneva text) of Article 27 now permits Members, considering their interests seriously prejudiced, to apply or maintain export subsidies on primary commodities, without prior approval by the Organization where Chapter VI procedure has failed or does not promise to succeed or where an inter-governmental agreement is not an appropriate solution. Paragraph 4 of Article 27 is a new provision prohibiting a Member from granting a new subsidy or increasing an existing subsidy, affecting the export of a
export of a primary commodity, during a Commodity Conference dealing with that commodity, unless the Organization concurs.

In the light of the relaxation of the provisions of Article 27, the safeguards contained in Article 28 have been strengthened. In particular, provision has been made, where consultation fails, for the Organization to make determinations as to what constitutes an equitable share of world trade in the commodity concerned for the subsidizing country. Members are required to conform to such determinations and factors are specified to which, amongst others, the Organization shall have particular regard when making determinations. Under the new text, Article 28 applies to all subsidies affecting the exports of primary commodities.

The text of the four Articles as approved by Committee III in Second Reading was issued in E/CONF.2/C.3/63.

SUB-COMMITTEE J ON STATE TRADING
ARTICLES 30 AND 31

Chairman - Rt. Honourable Walter Nash (New Zealand).

Members - The representatives of Czechoslovakia, Ecuador, Egypt, Mexico, Netherlands, New Zealand, Pakistan, Switzerland, the United Kingdom and the United States.

Date of Appointment - 28th Meeting, 8 January.

Number of Meetings - Seven.


Second Reading in Committee III - 33rd and 34th Meetings on 6 and 9 February.

General Comments - Articles 30 and 31 were not substantially altered by the Sub-Committee but two new Articles were introduced. Article 30A entitled "Marketing Organizations" provides that marketing boards, commissions or similar organizations established or maintained by Members shall be subject to the provisions of paragraph 1 of Article 30 with respect to their purchases and sales and shall be subject to the other relevant provisions of the Charter with respect to their regulations governing the operations of private enterprises.

The second new Article introduced by the Sub-Committee is entitled "Liquidation of Non-commercial Stocks": This provides that any Member deciding to liquidate stocks of a primary commodity accumulated for non-commercial purposes shall give four months prior notice either publicly or to the Organization and shall, upon request, consult with other Members as to the best means of avoiding substantial injury to the economic interests of producers and consumers of the commodities concerned.

/Committee III
Committee III referred this Article to a Working Party whose report was issued in E/CONF.2/C.3/64 and was approved at the Forty-First Meeting on 23 February.

The Article as amended by the Working Party contains a more precise obligation on the part of the Member intending to liquidate such stocks to carry out the liquidation in a manner that will avoid serious disturbance to world markets; also it provides for participation of the Organization in consultations where the interests of several Members might be substantially affected.
CHAPTER IV

COMMERCIAL POLICY

SECTION A - TARIFFS, PREFERENCES, AND INTERNAL TAXATION AND REGULATION

Article 16

General Most-favoured-nation Treatment

1. With respect to customs duties and charges of any kind imposed on or in connection with importation or exportation or imposed on the international transfer or exports of payments for imports, and with respect to the method of levying such duties and charges, and with respect to all rules and formalities in connection with importation and exportation, and with respect to all matters within the scope of paragraphs 2 and 4 of Article 18, any advantage, favour, privilege or immunity granted by any Member to any product originating in or destined for any other country shall be accorded immediately and unconditionally to the like product originating in or destined for all other Member countries.

2. The provisions of paragraph 1 shall not require the elimination, except as provided in Article 17, of any preferences in respect of import duties or charges which do not exceed the margins provided for in paragraph 4 and which fall within the following descriptions:

(a) preferences in force exclusively between two or more of the territories listed in Annex A, subject to the conditions set forth therein;

(b) preferences in force exclusively between two or more territories which on July 1, 1939 were connected by common sovereignty or relations of protection or suzerainty and which are listed in Annexes B, C, D and E;

(c) preferences in force exclusively between the United States of America and the Republic of Cuba;

(d) preferences in force exclusively between the Republic of the Philippines and the United States of America, including the dependent territories of the latter;

(e) preferences
preferences in force exclusively between neighbouring countries listed in Annexes F, G, H, I and J.

3. The provisions of paragraph 1 shall not apply to preferences between the countries formerly a part of the Ottoman Empire and detached from it on July 24, 1923, provided such preferences fulfil the applicable requirements of Article 15.

4. The margin of preference on any product in respect of which a preference is permitted under paragraph 2 shall not exceed (a) the maximum margin provided for under the General Agreement on Tariffs and Trade or any subsequent operative agreement resulting from negotiations under Article 17, or (b) if not provided for under such agreements, the margin existing either on April 10, 1947, or on any earlier date established for a Member as a basis for negotiating the General Agreement on Tariffs and Trade, at the option of such Member.

5. The imposition of a margin of tariff preference not in excess of the amount necessary to compensate for the elimination of a margin of preference in an internal tax existing on April 10, 1947, exclusively between two or more of the territories in respect of which preferential import duties or charges are permitted under paragraph 2, shall not be deemed to be contrary to the provisions of this Article, it being understood that any such margin of tariff preference shall be subject to the provisions of Article 17.

Article 17

Reduction of Tariffs and Elimination of Preferences

1. Each Member shall, upon the request of any other Member or Members, and subject to procedural arrangements established by the Organization, enter into and carry out with such other Member or Members negotiations directed to the substantial reduction of the general levels of tariffs and other charges on imports and exports, and to the elimination of the preferences referred to in paragraph 2 of Article 16, on a reciprocal and mutually advantageous basis.

2. The negotiations provided for in paragraph 1 shall proceed in accordance with the following rules:

(a) Such negotiations shall be conducted on a selective product-by-product basis which will afford adequate opportunity to take into account the needs of individual countries and individual industries. Members shall be free not to grant concessions on particular products and, in the granting of a concession, they may either reduce the duty, bind it at its then existing level, or undertake not to raise it above a specified higher level.

(b) No Member
(b) No Member shall be required to grant unilateral concessions, or to grant concessions to other Members without receiving adequate concessions in return. Account shall be taken of the value to any Member of obtaining in its own right and by direct obligation the indirect concessions which it would otherwise enjoy only by virtue of Article 16.

(e) In negotiations relating to any specific product with respect to which a preference applies,

(i) when a reduction is negotiated only in the most-favoured-nation rate, such reduction shall operate automatically to reduce or eliminate the margin of preference applicable to that product;

(ii) when a reduction is negotiated only in the preferential rate, the most-favoured-nation rate shall automatically be reduced to the extent of such reduction;

(iii) when it is agreed that reductions will be negotiated in both the most-favoured-nation rate and the preferential rate, the reduction in each shall be that agreed by the parties to the negotiations;

(iv) no margin of preference shall be increased.

(d) The binding against increase of low duties or of duty-free treatment shall in principle be recognized as a concession equivalent in value to the substantial reduction of high duties or the elimination of tariff preferences.

(e) Prior international obligations shall not be invoked to frustrate the requirement under paragraph 1 to negotiate with respect to preferences, it being understood that agreements which result from such negotiations and which conflict with such obligations shall not require the modification or termination of such obligations except (i) with the consent of the parties to such obligations, or, in the absence of such consent, (ii) by modification or termination of such obligations in accordance with their terms.

/3. The negotiations
3. The negotiations leading to the **General Agreement on Tariffs and Trade** concluded at Geneva on October 30, 1947, shall be deemed to be negotiations pursuant to this Article. The concessions agreed upon as a result of all other negotiations completed by a Member pursuant to this Article shall be incorporated in the General Agreement on terms to be agreed with the parties thereto. If any Member enters into any agreement relating to tariffs or preferences which is not concluded pursuant to this Article, the negotiations leading to such agreement shall nevertheless conform to the requirements of paragraph 2 (c).

4. (a) The provisions of Article 16 shall not prevent the operation of paragraph 5 (b) of Article XXV of the General Agreement on Tariffs and Trade, as amended at the First Session of the **CONTRACTING PARTIES**.

(b) If a Member has failed to become a contracting party to the General Agreement within two years from the entry into force of this Charter with respect to such Member, the provisions of Article 16 shall cease to require, at the end of that period, the application to the trade of such Member country of the concessions granted, in the appropriate Schedule annexed to the General Agreement, by another Member which has requested the first Member to negotiate with a view to becoming a contracting party to the General Agreement but has not successfully concluded negotiations; Provided that the Organization may, by a majority of the votes cast, require the continued application of such concessions to the trade of any Member country which has been unreasonably prevented from becoming a contracting party to the General Agreement pursuant to negotiations in accordance with the provisions of this Article.

(c) If a Member which is a contracting party to the General Agreement proposes to withhold tariff concessions from the trade of a Member country which is not a contracting party, it shall give notice in writing to the Organization and to the affected Member. The latter Member may request the Organization to require the continuance of such concessions, and if such a request has been made the tariff concessions shall not be withheld pending a decision by the Organization under the provisions of sub-paragraph (b) of this paragraph.

(d) In any determination whether a Member has been unreasonably prevented from becoming a contracting party to the General Agreement, and in any determination under the provisions of Chapter VIII whether a Member has failed without sufficient justification to fulfill its obligations under paragraph 1 of this Article, the Organization shall have regard to all relevant circumstances, including the developmental, reconstruction and other needs, and the general fiscal
fiscal structures, of the Member countries concerned and to the provisions of the Charter as a whole.

(e) If such concessions are in fact withheld, so as to result in the application to the trade of a Member country of duties higher than would otherwise have been applicable, such Member shall then be free, within sixty days after such action becomes effective, to give written notice of withdrawal from the Organization. The withdrawal shall become effective upon the expiration of sixty days from the day on which such notice is received by the Director-General.
Article 18

National Treatment on Internal Taxation and Regulation

1. The Members recognize that internal taxes and other internal charges, and laws, regulations and requirements affecting the internal sale, offering for sale, purchase, transportation, distribution or use of products, and internal quantitative regulations requiring the mixture, processing or use of products in specified amounts or proportions, should not be applied to imported or domestic products so as to afford protection to domestic production.

2. The products of any Member country imported into any other Member country shall not be subject, directly or indirectly, to internal taxes or other internal charges of any kind in excess of those applied, directly or indirectly, to like domestic products. Moreover, no Member shall otherwise apply internal taxes or other internal charges to imported or domestic products in a manner contrary to the principles set forth in paragraph 1.

3. With respect to any existing internal tax which is inconsistent with the provisions of paragraph 2 but which is specifically authorized under a trade agreement, in force on April 10, 1947, in which the import duty on the taxed product is bound against increase, the Member imposing the tax shall be free to postpone the application of the provisions of paragraph 2 to such tax until such time as it can obtain release from the obligations of such trade agreement in order to permit the increase of such duty to the extent necessary to compensate for the elimination of the protective element of the tax.

4. The products of any Member country imported into any other Member country shall be accorded treatment no less favourable than that accorded to like products of national origin in respect of all laws, regulations, and requirements affecting their internal sale, offering for sale, purchase, transportation, distribution or use. The provisions of this paragraph shall not prevent the application of differential internal transportation charges which are based exclusively on the economic operation of the means of transport and not on the nationality of the product.

5. No Member shall establish or maintain any internal quantitative regulation relating to the mixture, processing or use of products in specified amounts or proportions which requires, directly or indirectly, that any specified amount or proportion of any product which is the subject of the regulation must be supplied from domestic sources. Moreover, no Member shall otherwise apply internal quantitative regulations in a manner contrary to the principles set forth in paragraph 1.

6. The provisions of paragraph 5 shall not apply to any internal quantitative regulation in force in any Member country on July 1, 1939, April 10, 1947 or on the date
on the date of this Charter, at the option of that Member; provided that any such regulation which is contrary to the provisions of paragraph 5 shall not be modified to the detriment of imports and shall be subject to negotiations and shall accordingly be treated as a customs duty for the purposes of Article 17.

7. No internal quantitative regulation relating to the mixture, processing or use of products in specified amounts or proportions shall be applied in such a manner as to allocate any such amount or proportion among external sources of supply.

8. (a) The provisions of this Article shall not apply to laws, regulations or requirements governing the procurement by governmental agencies of products purchased for governmental purposes and not with a view to commercial resale or with a view to use in the production of goods for commercial sale.

(b) The provisions of this Article shall not prevent the payment of subsidies exclusively to domestic producers, including payments to domestic producers derived from the proceeds of internal taxes or charges applied consistently with the provisions of this Article and subsidies effected through governmental purchases of domestic products.

9. The Members recognize that internal maximum price control measures, even though conforming to the other provisions of this Article, can have effects prejudicial to the interests of Member countries supplying imported products. Accordingly, Members applying such measures shall take account of the interests of exporting Member countries with a view to avoiding to the fullest practicable extent such prejudicial effects.

Article 19

Special Provisions Relating to Cinematograph Films

The provisions of Article 18 shall not prevent any Member from establishing or maintaining internal quantitative regulations relating to exposed cinematograph films. Any such regulations shall take the form of screen quotas which shall conform to the following conditions and requirements:

(a) Screen quotas may require the exhibition of cinematograph films of national origin during a specified minimum proportion of the total screen time actually utilized over a specified period of not less than one year, in the commercial exhibition of all films of whatever origin, and shall be computed on the basis of screen time per theatre per year or the equivalent thereof.

(b) With the exception of screen time reserved for films of national origin under a screen quota, screen time, including screen time released by administrative action from time reserved for films of national origin under a screen quota, shall not exceed the specified minimum proportion of the total screen time actually utilized.
of national origin, shall not be allocated formally or in effect among sources of supply.

(c) Notwithstanding the provisions of sub-paragraph (b), any Member may maintain screen quotas conforming to the requirements of sub-paragraph (a) which reserve a minimum proportion of screen time for films of a specified origin other than that of the Member imposing such screen quotas; Provided that such minimum proportion of screen time shall not be increased above the level in effect on April 10, 1947.

(d) Screen quotas shall be subject to negotiation and shall accordingly be treated as customs duties for the purposes of Article 17.
General Elimination of Quantitative Restrictions

1. No prohibitions or restrictions other than duties, taxes or other charges, whether made effective through quotas, import or export licences or other measures, shall be instituted or maintained by any Member on the importation of any product of any other Member country or on the exportation or sale for export of any product destined for any other Member country.

2. The provisions of paragraph 1 shall not extend to the following:

(a) export prohibitions or restrictions applied for the period necessary to prevent or relieve critical shortages of foodstuffs or other products essential to the exporting Member country;

(b) import and export prohibitions or restrictions necessary to the application of standards or regulations for the classification, grading or marketing of commodities in international trade; if, in the opinion of the Organization, the standards or regulations adopted by a Member under this sub-paragraph have an unduly restrictive effect on trade, the Organization may request the Member to revise the standards or regulations; Provided that it shall not request the revision of standards internationally agreed pursuant to recommendations made under paragraph 7 of Article 38;

(c) import restrictions on any agricultural or fisheries product, imported in any form, necessary to the enforcement of governmental measures which operate effectively:

(i) to restrict the quantities of the like domestic product permitted to be marketed or produced, or, if there is no substantial domestic production of the like product, of a domestic agricultural or fisheries product for which the imported product can be directly substituted; or

(ii) to remove a temporary surplus of the like domestic product, or, if there is no substantial domestic production of the like product, of a domestic agricultural or fisheries product for which the imported product can be directly substituted, by making the surplus available to certain groups of domestic consumers free of charge or at prices below the current market level; or
(iii) to restrict the quantities permitted to be produced of any animal product the production of which is directly dependent, wholly or mainly, on the imported commodity, if the domestic production of that commodity is relatively negligible.

3. With regard to import restrictions applied under the provisions of paragraph 2 (c):

(a) such restrictions shall be applied only so long as the governmental measures referred to in paragraph 2 (c) are in force, and, when applied to the import of products of which domestic supplies are available during only a part of the year, shall not be applied in such a way as to prevent their import in quantities sufficient to satisfy demand for current consumption purposes during those periods of the year when like domestic products, or domestic products for which the imported product can be directly substituted, are not available;

(b) any Member intending to introduce restrictions on the importation of any product shall, in order to avoid unnecessary damage to the interests of exporting countries, give notice in writing as far in advance as practicable to the Organization and to Members having a substantial interest in supplying that product, in order to afford such Members adequate opportunity for consultation in accordance with the provisions of paragraphs 2 (d) and 4 of Article 22, before the restrictions enter into force. At the request of the importing Member concerned, the notification and any information disclosed during the consultations shall be kept strictly confidential;

(c) any Member applying such restrictions shall give public notice of the total quantity or value of the product permitted to be imported during a specified future period and of any change in such quantity or value;

(d) any restrictions applied under paragraph 2 (c) (1) shall not be such as will reduce the total of imports relative to the total of domestic production, as compared with the proportion which might reasonably be expected to rule between the two in the absence of restrictions. In determining this proportion, the Member applying the restrictions shall pay due regard to the proportion prevailing during a previous representative period and to any special factors which may have affected or may be affecting the trade in the product concerned.

/4. Throughout
Throughout this Section the terms "import restrictions" and "export restrictions" include restrictions made effective through state-trading operations.

Article 21

Restrictions to Safeguard the Balance of Payments

1. The Members recognize that:
   (a) it is primarily the responsibility of each Member to safeguard its external financial position and to achieve and maintain stable equilibrium in its balance of payments;
   (b) an adverse balance of payments of one Member country may have important effects on the trade and balance of payments of other Member countries, if it results in, or may lead to, the imposition by the Member of restrictions affecting international trade;
   (c) the balance of payments of each Member country is of concern to other Members, and therefore it is desirable that the Organization should promote consultations among Members and, where possible, agreed action consistent with this Charter for the purpose of correcting a maladjustment in the balance of payments; and
   (d) action taken to restore stable equilibrium in the balance of payments should, so far as the Member or Members concerned find possible, employ methods which expand rather than contract international trade.

2. Notwithstanding the provisions of paragraph 1 of Article 20, any Member, in order to safeguard its external financial position and balance of payments may restrict the quantity or value of merchandise permitted to be imported, subject to the provisions of the following paragraphs of this Article.

3. (a) No Member shall institute, maintain or intensify import restrictions under this Article except to the extent necessary
   (i) to forestall the imminent threat of, or to stop, a serious decline in its monetary reserves, or
   (ii) in the case of a Member with very low monetary reserves, to achieve a reasonable rate of increase in its reserves.

Due regard shall be paid in either case to any special factors which may be affecting the Member's reserves or need for reserves, including, where special external credits or other resources are available to it, the need to provide for the appropriate use of such credits or resources.

/(b) A Member
(b) A Member applying restrictions under sub-paragraph (a) shall progressively relax and ultimately eliminate them, in accordance with the provisions of that sub-paragraph, as its external financial position improves. This provision shall not be interpreted to mean that a Member is required to relax or remove such restrictions if that relaxation or removal would thereupon produce conditions justifying the intensification or institution, respectively, of restrictions under sub-paragraph (a).

(c) Members undertake:

(i) not to apply restrictions so as to prevent unreasonably the importation of any description of merchandise in minimum commercial quantities the exclusion of which would impair regular channels of trade, or restrictions which would prevent the importation of commercial samples or prevent the importation of such minimum quantities of a product as may be necessary to obtain and maintain patent, trade mark, copyright or similar rights under industrial or intellectual property laws;

(ii) to apply restrictions under this Article in such a way as to avoid unnecessary damage to the commercial or economic interests of any other Member, including interests under Articles 3 and 9.

4. (a) The Members recognize that in the early years of the Organization all of them will be confronted in varying degrees with problems of economic adjustment resulting from the war. During this period the Organization shall, when required to take decisions under this Article or under Article 23, take full account of the difficulties of post-war adjustment and of the need which a Member may have to use import restrictions as a step towards the restoration of equilibrium in its balance of payments on a sound and lasting basis.

(b) The Members recognize that, as a result of domestic policies directed toward the fulfilment of a Member's obligations under Article 3 relating to the achievement and maintenance of full and productive employment and large and steadily growing demand, or its obligations under Article 9 relating to the reconstruction or development of industrial and other economic resources and to the raising of standards of productivity, such a Member may find that demands for foreign exchange on account of imports and other current payments are absorbing the foreign exchange resources currently available to it in such a manner as to exercise pressure on its monetary reserves which would justify the institution or maintenance of restrictions
under paragraph 3 of this Article. Accordingly,

(i) no Member shall be required to withdraw or modify restrictions which it is applying under this Article on the ground that a change in such policies would render these restrictions unnecessary;

(ii) any Member applying import restrictions under this Article may determine the incidence of the restrictions on imports of different products or classes of products in such a way as to give priority to the importation of those products which are more essential in the light of such policies.

(c) Members undertake, in carrying out their domestic policies, to pay due regard to the need for restoring equilibrium in their balance of payments on a sound and lasting basis and to the desirability of assuring an economic employment of productive resources.

5. (a) Any Member which is not applying restrictions under this Article, but is considering the need to do so, shall, before instituting such restrictions (or, in circumstances in which prior consultation is impracticable immediately after doing so), consult with the Organization as to the nature of its balance-of-payments difficulties, alternative corrective measures which may be available, and the possible effect of such measures on the economies of other Members. No Member shall be required in the course of consultations under this sub-paragraph to indicate in advance the choice or timing of any particular measure which it may ultimately determine to adopt.

(b) The Organization may at any time invite any Member which is applying import restrictions under this Article to enter into such consultations with it, and shall invite any Member substantially intensifying such restrictions to consult within thirty days. A Member thus invited shall participate in the consultations. The Organization may invite any other Member to take part in the consultations. Not later than two years from the day on which this Charter enters into force, the Organization shall review all restrictions existing on that day and still applied under this Article at the time of the review.

(c) Any Member may consult with the Organization with a view to obtaining the prior approval of the Organization for restrictions which the Member proposes, under this Article, to maintain, intensify or institute, or for the maintenance, intensification or institution of restrictions under specified future conditions. As a result of such consultations, the Organization may approve in advance the maintenance, intensification or institution of restrictions by the Member in question insofar as the general extent, degree of intensity and duration of the restrictions are concerned.

/To the extent
To the extent to which such approval has been given, the requirements of sub-paragraph (a) of this paragraph shall be deemed to have been fulfilled, and the action of the Member applying the restrictions shall not be open to challenge under sub-paragraph (d) of this paragraph on the ground that such action is inconsistent with the provisions of sub-paragraphs (a) and (b) of paragraph 3.

(d) Any Member which considers that another Member is applying restrictions under this Article inconsistently with the provisions of paragraphs 3 or 4 of this Article or with those of Article 22 (subject to the provisions of Article 23) may bring the matter to the Organization for discussion; and the Member applying the restrictions shall participate in the discussion. If, on the basis of the case presented by the Member initiating the procedure, it appears to the Organization that the trade of that Member is adversely affected, the Organization shall submit its views to the parties with the aim of achieving a settlement of the matter in question which is satisfactory to the parties and to the Organization. If no such settlement is reached and if the Organization determines that the restrictions are being applied inconsistently with the provisions of paragraphs 3 or 4 of this Article or with those of Article 22 (subject to the provisions of Article 23), the Organization shall recommend the withdrawal or modification of the restrictions. If the restrictions are not withdrawn or modified in accordance with the recommendation of the Organization within sixty days, the Organization may release any Member from specified obligations or concessions under or pursuant to this Charter towards the Member applying the restrictions.

(e) In consultations between a Member and the Organization under this paragraph there shall be full and free discussion as to the various causes and the nature of the Member's balance-of-payments difficulties. It is recognized that premature disclosure of the prospective application, withdrawal or modification of any restrictions under this Article might stimulate speculative trade and financial movements which would tend to defeat the purposes of this Article. Accordingly, the Organization shall make provision for the observance of the utmost secrecy in the conduct of any consultation.

6. If there is a persistent and widespread application of import restrictions under this Article, indicating the existence of a general disequilibrium which is restricting international trade, the Organization shall initiate discussions to consider whether other measures might be taken, either by those Members whose balances of payments are under pressure or by
those Members whose balances of payments are tending to be exceptionally favourable, or by any appropriate inter-governmental organization, to remove the underlying causes of the disequilibrium. On the invitation of the Organization, Members shall participate in such discussions.

Article 22

Non-Discriminatory Administration of Quantitative Restrictions

1. No prohibition or restriction shall be applied by any Member on the importation of any product of any other Member country or on the exportation of any product destined for any other Member country, unless the importation of the like product of all third countries or the exportation of the like product to all third countries is similarly prohibited or restricted.

2. In applying import restrictions to any product, Members shall aim at a distribution of trade in such product approaching as closely as possible to the shares which the various Member countries might be expected to obtain in the absence of such restrictions, and to this end shall observe the following provisions:

(a) wherever practicable, quotas representing the total amount of permitted imports (whether allocated among supplying countries or not) shall be fixed, and notice given of their amount in accordance with paragraph 3 (b);

(b) in cases in which quotas are not practicable, the restrictions may be applied by means of import licences or permits without a quota;

(c) Members shall not, except for purposes of operating quotas allocated in accordance with sub-paragraph (d) of this paragraph, require that import licences or permits be utilized for the importation of the product concerned from a particular country or source;

(d) in cases in which a quota is allocated among supplying countries, the Member applying the restrictions may seek agreement with respect to the allocation of shares in the quota with all other Members having a substantial interest in supplying the product concerned. In cases in which this method is not reasonably practicable, the Member concerned shall allot to Member countries having a substantial interest in supplying the product shares of the total quantity or value of imports of the product, based upon the proportions, supplied by such Member countries during a previous representative period, due account being taken of any /special
special factors which may have affected or may be affecting the trade in the product. No conditions or formalities shall be imposed which would prevent any Member country from utilizing fully the share of any such total quantity or value which has been allotted to it, subject to importation being made within any prescribed period to which the quota may relate.

3. (a) In the case of import restrictions involving the granting of import licences, the Member applying the restrictions shall provide, upon the request of any Member having an interest in the trade in the product concerned, all relevant information concerning the administration of the restrictions, the import licences granted over a recent period and the distribution of such licences among supplying countries; provided that there shall be no obligation to supply information as to the names of importing or supplying enterprises.

(b) In the case of import restrictions involving the fixing of quotas, the Member applying the restrictions shall give public notice of the total quantity or value of the product or products which will be permitted to be imported during a specified future period and of any change in such quantity or value. Any supplies of the product in question which were en route at the time at which public notice was given shall not be excluded from entry; provided that they may be counted, so far as practicable, against the quantity permitted to be imported in the period in question, and also, where necessary, against the quantities permitted to be imported in the next following period or periods, and provided further that if any Member customarily exempts from such restrictions products entered for consumption or withdrawn from warehouse for consumption during a period of thirty days after the day of such public notice, such practice shall be considered full compliance with this sub-paragraph.

(c) In the case of quotas allocated among supplying countries, the Member applying the restrictions shall promptly inform all other Members having an interest in supplying the product concerned of the shares in the quota currently allocated, by quantity or value, to the various supplying countries and shall give public notice thereof.

(d) If the Organization finds, upon the request of a Member, that the interests of that Member would be seriously prejudiced by giving, in regard to certain products, the public notice required under sub-paragraphs (b) and (c) of this paragraph, by reason of the fact that a large part of its imports of such products is supplied by non-Member countries, the Organization shall release the Member from compliance with the obligations in question to the /extent and
extent and for such time as it finds necessary to prevent such prejudice. Any request made by a Member pursuant to this sub-paragraph shall be acted upon promptly by the Organization.

4. With regard to restrictions applied in accordance with the provisions of paragraph 2 (d) of this Article or under the provisions of paragraph 2 (c) of Article 20, the selection of a representative period for any product and the appraisal of any special factors affecting the trade in the product shall be made initially by the Member applying the restrictions. Provided that such Member shall, upon the request of any other Member having a substantial interest in supplying that product, or upon the request of the Organization, consult promptly with the other Member or the Organization regarding the need for an adjustment of the proportion determined or of the base period selected or for the re-appraisal of the special factors involved, or for the elimination of conditions, formalities of any other provisions established unilaterally with regard to the allocation of an adequate quota or its unrestricted utilization.

5. The provisions of this Article shall apply to any tariff quota instituted or maintained by any Member and, insofar as applicable, the principles of this Article shall also extend to export restrictions.
Article 23

Exceptions to the Rule of Non-discrimination

1. (a) The Members recognize that the aftermath of the war has brought difficult problems of economic adjustment which do not permit the immediate full achievement of non-discriminatory administration of quantitative restrictions and therefore require the exceptional transitional period arrangements set forth in this paragraph.

(b) A Member which applies restrictions under Article 21 may, in the use of such restrictions, deviate from the provisions of Article 22 in a manner having equivalent effect to restrictions on payments and transfers for current international transactions which that Member may at that time apply under Article XIV of the Articles of Agreement of the International Monetary Fund, or under an analogous provision of a special exchange agreement entered into pursuant to paragraph 6 of Article 24.

(c) A Member which is applying restrictions under Article 21 and which on March 1, 1948 was applying import restrictions to safeguard its balance of payments in a manner which deviated from the rules of non-discrimination set forth in Article 22 may, to the extent that such deviation would not have been authorized on that date by sub-paragraph (b), continue so to deviate, and may adapt such deviation to changing circumstances.

(d) Any Member which before July 1, 1948 has signed the Protocol of Provisional Application agreed upon at Geneva on October 30, 1947, and which by such signature has provisionally accepted the principles of paragraph 1 of Article 23 of the Draft Charter submitted to the United Nations Conference on Trade and Employment by the Preparatory Committee, may elect, by written notice to the Interim Commission of the International Trade Organization or to the Organization before January 1, 1949, to be governed by the provisions of Annex K of this Charter, which embodies such principles, in lieu of the provisions of sub-paragraphs (b) and (c) of this paragraph. The provisions of sub-paragraphs (b) and (c) shall not be applicable to Members which have so elected to be governed by the provisions of Annex K; and conversely, the provisions
the provisions of Annex K shall not be applicable to Members which have not so elected.

(e) The policies applied in the use of import restrictions under subparagraphs (b) and (c) or under Annex K in the postwar transitional period shall be designed to promote the maximum development of multilateral trade possible during that period and to expedite the attainment of a balance of payments position which will no longer require resort to the provisions of Article 21 or to transitional exchange arrangements.

(f) A Member may deviate from the provisions of Article 22, pursuant to subparagraphs (b) or (c) of this paragraph or pursuant to Annex K, only so long as it is availing itself of the post-war transitional period arrangements under Article XIV of the Articles of Agreement of the International Monetary Fund, or of an analogous provision of a special exchange agreement entered into under paragraph 6 of Article 24.

(g) Not later than March 1, 1950 (three years after the date on which the International Monetary Fund began operations) and in each year thereafter, the Organization shall report on any action still being taken by Members under subparagraphs (b) and (c) of this paragraph or under Annex K. In March 1952, and in each year thereafter, any Member still entitled to take action under the provisions of subparagraph (c) or of Annex K shall consult the Organization as to any deviations from Article 22 still in force pursuant to such provisions and as to its continued resort to such provisions. After March 1, 1952 any action under Annex K going beyond the maintenance in force of deviations on which such consultation has taken place and which the Organization has not found unjustifiable, or their adaptation to changing circumstances, shall be subject to any limitations of a general character which the Organization may prescribe in the light of the Member's circumstances.

(h) The Organization may, if it deems such action necessary in exceptional circumstances, make representations to any Member entitled to take action under the provisions of subparagraph (c) that conditions are favourable for the termination of any particular deviation from the provisions
provisions of Article 22, or for the general abandonment of deviations, under the provisions of that sub-paragraph. After March 1, 1952, the Organization may make such representations, in exceptional circumstances, to any Member entitled to take action under Annex K. The Member shall be given a suitable time to reply to such representations. If the Organization finds that the Member persists in unjustifiable deviation from the provisions of Article 22, the Member shall, within sixty days, limit or terminate such deviations as the Organization may specify.

2. Whether or not its transitional period arrangements have terminated pursuant to paragraph 1 (f), a Member which is applying import restrictions under Article 21 may, with the consent of the Organization, temporarily deviate from the provisions of Article 22 in respect of a small part of its external trade where the benefits to the Member or Members concerned substantially outweigh any injury which may result to the trade of other Members.

3. The provisions of Article 22 shall not preclude restrictions in accordance with the provisions of Article 21 which either

   (a) are applied against imports from other countries, but not as among themselves, by a group of territories having a common quota in the International Monetary Fund, on condition that such restrictions are in all other respects consistent with the provisions of Article 22, or

   (b) assist, in the period until December 31, 1951, by measures not involving substantial departure from the provisions of Article 22, another country whose economy has been disrupted by war.

4. A Member applying import restrictions under Article 21 shall not be precluded by this Section from applying measures to direct its exports in such a manner as to increase its earnings of currencies which it can use without deviation from the provisions of Article 22.

   /5. A Member
5. A Member shall not be precluded by this Section from applying quantitative restrictions
(a) having equivalent effect to exchange restrictions authorized under Section 3 (b) of Article VII of the Articles of Agreement of the International Monetary Fund; or
(b) under the preferential arrangements provided for in Annex A of this Charter, pending the outcome of the negotiations referred to therein.
Article 81

Relationship with the International Monetary Fund and Exchange Arrangements

1. The Organization shall seek cooperation with the International Monetary Fund to the end that the Organization and the Fund may pursue a coordinated policy with regard to exchange questions within the jurisdiction of the Fund and questions of quantitative restrictions and other trade measures within the jurisdiction of the Organization.

2. In all cases in which the Organization is called upon to consider or deal with problems concerning monetary reserves, balance of payments or foreign exchange arrangements, the Organization shall consult fully with the Fund. In such consultation, the Organization shall accept all findings of statistical and other facts presented by the Fund relating to foreign exchange, monetary reserves and balance of payments, and shall accept the determination of the Fund whether action by a Member with respect to exchange matters is in accordance with the Articles of Agreement of the International Monetary Fund, or with the terms of a special exchange agreement entered into between that Member and the Organization pursuant to paragraph 6 of this Article. When the Organization is examining a situation in the light of the relevant considerations under all the pertinent provisions of Article 21 for the purpose of reaching its final decision in cases involving the criteria set forth in paragraph 3 (a) of that Article, it shall accept the determination of the Fund as to what constitutes a serious decline in the Member's monetary reserves, a very low level of its monetary reserves or a reasonable rate of increase in its monetary reserves, and as to the financial aspects of other matters covered in consultation in such cases.

3. The Organization shall seek agreement with the Fund regarding procedures for consultation under paragraph 2 of this Article. Any such agreement, other than informal arrangements of a temporary or administrative character, shall be subject to confirmation by the Conference.

4. Members shall
4. Members shall not, by exchange action, frustrate the intent of the provisions of this Section, nor, by trade action, the intent of the provisions of the Articles of Agreement of the International Monetary Fund.

5. If the Organization considers, at any time, that exchange restrictions on payments and transfers in connection with imports are being applied by a Member in a manner inconsistent with the provisions of this Section with respect to quantitative restrictions, it shall report thereon to the Fund.

6. (a) Any Member of the Organization which is not a member of the Fund shall, within a time to be determined by the Organization after consultation with the Fund, become a member of the Fund or, failing that, enter into a special exchange agreement with the Organization. A Member of the Organization which ceases to be a member of the Fund shall forthwith enter into a special exchange agreement with the Organization. Any special exchange agreement entered into by a Member under this sub-paragraph shall thereupon become part of its obligations under this Charter.

   (b) Any such agreement shall provide to the satisfaction of the Organization that the objectives of this Charter will not be frustrated as a result of action with respect to exchange matters by the Member in question.

   (c) Any such agreement shall not impose obligations on the Member with respect to exchange matters generally more restrictive than those imposed by the Articles of Agreement of the International Monetary Fund on members of the Fund.

   (d) No Member shall be required to enter into any such agreement so long as it uses solely the currency of another Member and so long as neither the Member nor the country whose currency is being used maintains exchange restrictions. Nevertheless, if the Organization at any time considers that the absence of a special exchange agreement may be permitting action which tends to frustrate the purposes of any of the provisions of this Charter, it may require the Member to enter into a special exchange agreement in accordance with the provisions of this paragraph. A Member of the Organization which is not a member of the Fund and which has not entered into a special exchange agreement may be required at any time to consult with the Organization on any exchange problem.
problem.

7. A Member which is not a member of the Fund, whether or not it has entered into a special exchange agreement, shall furnish such information within the general scope of Section 5 of Article VIII of the Articles of Agreement of the International Monetary Fund as the Organization may require in order to carry out its functions under this Charter.

8. Nothing in this Section shall preclude:

(a) the use by a Member of exchange controls or exchange restrictions in accordance with the Articles of Agreement of the International Monetary Fund or with that Member's special exchange agreement with the Organization, or

(b) the use by a Member of restrictions or controls on imports or exports, the sole effect of which, in addition to the effects permitted under Articles 20, 21, 22 and 23, is to make effective such exchange controls or exchange restrictions.
SECTION C - SUBSIDIES

Article 25

Subsidies in General

If any Member grants or maintains any subsidy including any form of income or price support, which operates directly or indirectly to maintain or increase exports of any product from, or to reduce, or prevent an increase in, imports of any product into, its territory, the Member shall 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. In any case in which a Member considers that serious prejudice to its interests is caused or threatened by any such subsidization, the Member granting the subsidy shall, upon request, discuss with the other Member or Members concerned, or with the Organization, the possibility of limiting the subsidization.

Article 26

Additional Provisions on Export Subsidies

1. No Member shall grant, directly or indirectly, any subsidy on the export of any product, or establish or maintain any other system, which subsidy or system 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, due allowance being made for differences in the conditions and terms of sale, for differences in taxation, and for other differences affecting price comparability.

2. The exemption of exported products from duties or taxes imposed in respect of like products when consumed domestically, or the remission of such duties or taxes in amounts not in excess of those which have accrued, shall not be deemed to be in conflict with the provisions of paragraph 1. The use of the proceeds of such duties or taxes to make payments to domestic producers in general of those products shall be considered as a case under Article 25.

3. Members shall give effect to the provisions of paragraph 1 at the earliest practicable date but not later than two years from the day on which this Charter enters into force. If any Member considers itself unable to do so in respect of any particular product or products, it shall, at least three months before the expiration of such period, give notice in writing to the Organization, requesting a specific extension of the period. Such notice shall be accompanied by a full analysis of the system in question and the circumstances.
circumstances justifying it. The Organization shall then determine whether the extension requested should be made and, if so, on what terms.

4. Notwithstanding the provisions of paragraph 1, any Member may subsidize the exports of any product to the extent and for such time as may be necessary to offset a subsidy granted by a non-Member affecting the Member’s exports of the product. However, the Member shall, upon the request of the Organization or of any other Member which considers that its interests are seriously prejudiced by such action, consult with the Organization or with that Member, as appropriate, with a view to reaching a satisfactory adjustment of the matter.

Article 27

Special Treatment of Primary Commodities

1. A system for the stabilization of the domestic price or of the return to domestic producers of a primary commodity, independently of the movements of export prices, which results at times in the sale of the commodity for export at a price lower than the comparable price charged for the like commodity to buyers in the domestic market, shall be considered not to involve a subsidy on export within the meaning of paragraph 1 of Article 26, if the Organization determines that

(a) the system has also resulted, or is so designed as to result, in the sale of the commodity for export at a price higher than the comparable price charged for the like commodity to buyers in the domestic market; and

(b) the system is so operated, or is designed so to operate, either because of the effective regulation of production or otherwise as not to stimulate exports unduly or otherwise seriously prejudice the interests of other Members.

2. Any Member granting a subsidy in respect of a primary commodity shall co-operate at all times in efforts to negotiate agreements, under the procedures set forth in Chapter VI, with regard to that commodity.

3. In any case involving a primary commodity, if a Member considers that its interests would be seriously prejudiced by compliance with the provisions of Article 26, or if a Member considers that its interests are seriously prejudiced by the granting of any form of subsidy, the procedures set forth in Chapter VI may be followed. The Member which considers that its interests are thus seriously prejudiced shall, however, be exempt provisionally from the requirements of paragraphs 1 and 3 of Article 26 in respect of that commodity, but shall be subject to the provisions of Article 26.
4. No Member shall grant a new subsidy or increase an existing subsidy affecting the export of a primary commodity, during a commodity conference called for the purpose of negotiating an inter-governmental control agreement for the commodity concerned unless the Organization concurs, in which case such new or additional subsidy shall be subject to the provisions of Article 26.

5. If the measures provided for in Chapter VII have not succeeded, or do not promise to succeed, within a reasonable period of time, or if the conclusion of a commodity agreement is not an appropriate solution, any Member which considers that its interests are seriously prejudiced shall not be subject to the requirements of paragraphs 1 and 3 of Article 26 in respect of that commodity, but shall be subject to the provisions of Article 28.

**Article 28**

Undertaking regarding Stimulation of Exports of Primary Commodities

1. Any Member granting any form of subsidy, which operates directly or indirectly to maintain or increase the export of any primary commodity from its territory, shall not apply the subsidy in such a way as to have the effect of maintaining or acquiring for that Member more than an equitable share of world trade in that commodity.

2. As required under the provisions of Article 25, the Member granting such subsidy shall promptly notify the Organization of the extent and nature of the subsidization, of the estimated effect of the subsidization on the quantity of the affected commodity exported from its territory, and of the circumstances making the subsidization necessary. The Member shall promptly consult with any other Member which considers that serious prejudice to its interests is caused or threatened by the subsidization.

3. If, within a reasonable period of time, no agreement is reached in such consultation, the Organization shall determine what constitutes an equitable share of world trade in the commodity concerned and the Member granting the subsidy shall conform to this determination.

4. In making the determination referred to in paragraph 3, the Organization shall take into account any factors which may have affected, or may be affecting world trade in the commodity concerned, and shall have particular regard to:

   (a) the Member country's share of world trade in the commodity during a previous representative period;

   (b) whether the Member country's share of world trade in the commodity is so small that the effect of the subsidy on such trade is likely to be of minor
to be of minor significance;

(c) the degree of importance of the external trade in the commodity to the economy of the Member country granting, and to the economies of the Member countries materially affected by, the subsidy;

(d) the existence of price stabilization systems conforming to the provisions of paragraph 1 of Article 27;

(e) the desirability of facilitating the gradual expansion of production for export in those areas able to satisfy world market requirements of the commodity concerned in the most effective and economic manner, and therefore of limiting any subsidies or other measures which make that expansion difficult.

(Note: Article 29 has been deleted.)
1. (a) Each Member undertakes that if it establishes or maintains a state enterprise, wherever located, or grants to any enterprise, formally or in effect, exclusive or special privileges, such enterprise shall, in its purchases and sales involving either imports or exports, act in a manner consistent with the general principles of non-discriminatory treatment prescribed in this Charter for governmental measures affecting imports or exports by private traders.

   (b) The provisions of sub-paragraph (a) shall be understood to require that such enterprises shall, having due regard to the other provisions of this Charter, make any such purchases or sales solely in accordance with commercial considerations, including price, quality, availability, marketability, transportation and other conditions of purchase or sale, and shall afford the enterprises of the other Member countries adequate opportunity in accordance with customary business practice, to compete for participation in such purchases or sales.

   (c) No Member shall prevent any enterprise (whether or not an enterprise described in sub-paragraph (a)) under its jurisdiction from acting in accordance with the principles of sub-paragraphs (a) and (b).

2. The provisions of paragraph 1 shall not apply to imports of products purchased for governmental purposes and not with a view to commercial resale or with a view to use in the production of goods for commercial sale. With respect to such imports, and with respect to the laws, regulations and requirements referred to in paragraph 8 (a) of Article 18, each Member shall accord to the trade of the other Members fair and equitable treatment.

Article 30A

Marketing Organizations

If a Member establishes or maintains a marketing board, commission or similar organization, the Member shall be subject:

(a) with respect to purchases or sales by any such organization, to the provisions of paragraph 1 of Article 30;

(b) with respect to any regulations of any such organization governing the operations of private enterprises, to the other relevant provisions of this Charter.
Article 31

Extension of Trade

1. If a Member establishes, maintains or authorizes, formally or in effect, a monopoly of the importation or exportation of any product, the Member shall, upon the request of any other Member or Members having a substantial interest in trade with it in the product concerned, negotiate with such other Member or Members in the manner provided for under Article 17 in respect of tariffs, and subject to all the provisions of this Charter with respect to such tariff negotiations, with the object of achieving:

   (a) in the case of an export monopoly, arrangements designed to limit or reduce any protection that might be afforded through the operation of the monopoly to domestic users of the monopolized product, or designed to assure exports of the monopolized product in adequate quantities at reasonable prices;

   (b) in the case of an import monopoly, arrangements designed to limit or reduce any protection that might be afforded through the operation of the monopoly to domestic producers of the monopolized product, or designed to relax any limitation on imports which is comparable with a limitation made subject to negotiation under other provisions of this Chapter.

2. In order to satisfy the requirements of paragraph 1 (b), the Member establishing, maintaining or authorizing a monopoly shall negotiate:

   (a) for the establishment of the maximum import duty that may be applied in respect of the product concerned; or

   (b) for any other mutually satisfactory arrangement consistent with the provisions of this Charter, if it is evident to the negotiating parties that to negotiate a maximum import duty under sub-paragraph (a) of this paragraph is impracticable or would be ineffective for the achievement of the objectives of paragraph 1; any Member entering into negotiations under this sub-paragraph shall afford to other interested Members an opportunity for consultation.

3. In any case in which a maximum import duty is not negotiated under paragraph 2 (a), the Member establishing, maintaining or authorizing the import monopoly shall make public, or notify the Organization of, the maximum import duty which it will apply in respect of the product concerned.

4. The import duty negotiated under paragraph 2, or made public or notified /to the
to the Organization under paragraph 3, shall represent the maximum margin by which the price charged by the import monopoly for the imported product (exclusive of internal taxes conforming to the provisions of Article 18, transportation, distribution and other expenses incident to the purchase, sale or further processing, and a reasonable margin of profit) may exceed the landed cost; provided that regard may be had to average landed costs and selling prices over recent periods; and provided further that, where the product concerned is a primary commodity which is the subject of a domestic price stabilization arrangement, provision may be made for adjustment to take account of wide fluctuations or variations in world prices, subject where a maximum duty has been negotiated to agreement between the countries parties to the negotiations.

5. With regard to any product to which the provisions of this Article apply, the monopoly shall, wherever this principle can be effectively applied and subject to the other provisions of this Charter, import and offer for sale such quantities of the product as will be sufficient to satisfy the full domestic demand for the imported product, account being taken of any rationing to consumers of the imported and like domestic product which may be in force at that time.

6. In applying the provisions of this Article, due regard shall be had for the fact that some monopolies are established and operated mainly for social, cultural, humanitarian or revenue purposes.

7. This Article shall not limit the use by Members of any form of assistance to domestic producers permitted by other provisions of this Charter.

Article 31A

Liquidation of Non-Commercial Stocks

1. If a Member holding stocks of any primary commodity accumulated for non-commercial purposes should liquidate such stocks, it shall carry out the liquidation, as far as practicable, in a manner that will avoid serious disturbance to world markets for the commodity concerned.

2. Such Member shall:

(a) give not less than four months public notice of its intention to liquidate such stocks; or

(b) give not less than four months prior notice to the Organization of such intention.

3. Such Member shall, at the request of any Member which considers itself substantially interested, consult as to the best means of avoiding substantial injury.
injury to the economic interests of producers and consumers of the primary commodity in question. In cases where the interests of several Members might be substantially affected, the Organization may participate in the consultations, and the Member holding the stocks shall give due consideration to its recommendations.

4. The provisions of paragraphs 2 and 3 shall not apply to routine disposal of supplies necessary for the rotation of stocks to avoid deterioration.
SECTION E - GENERAL COMMERCIAL PROVISIONS

Article 32

Freedom of Transit

1. Goods (including baggage), and also vessels and other means of transport shall be deemed to be in transit across the territory of a Member country, when the passage across such territory, with or without trans-shipment, warehousing, breaking bulk or change in the mode of transport, is only a portion of a complete journey beginning and terminating beyond the frontier of the Member country across whose territory the traffic passes. Traffic of this nature is termed in this Article "traffic in transit".

2. There shall be freedom of transit through each Member country, via the routes most convenient for international transit, for traffic in transit to or from other Member countries. No distinction shall be made which is based on the flag of vessels, the place of origin, departure, entry, exit or destination, or on any circumstances relating to the ownership of goods, of vessels or of other means of transport.

3. Any Member may require that traffic in transit through its territory be entered at the proper custom house, but, except in cases of failure to comply with applicable customs laws and regulations, such traffic coming from or going to other Member countries shall not be subject to any unnecessary delays or restrictions and shall be exempt from customs duties and from all transit duties or other charges imposed in respect of transit, except charges commensurate with administrative expenses entailed by transit or with the cost of services rendered.

4. All charges and regulations imposed by Members on traffic in transit to or from other Member countries shall be reasonable, having regard to the conditions of the traffic.

5. With respect to all charges, regulations and formalities in connection with transit, each Member shall accord to traffic in transit to or from any other Member country treatment no less favourable than the treatment accorded to traffic in transit to or from any third country.

6. The Organization may undertake studies, make recommendations and promote international agreement relating to the simplification of customs regulations concerning traffic in transit, the equitable use of facilities required for such transit and other measures designed to promote the objectives of this Article. Members shall co-operate with each other directly and through the Organization to this end.

7. Each Member shall accord to goods which have been in transit through
any other Member country treatment no less favourable than that which would have been accorded to such goods had they been transported from their place of origin to their destination without going through such other Member country. Any Member shall, however, be free to maintain its requirements of direct consignment existing on the date of this Charter, in respect of any goods in regard to which such direct consignment is a requisite condition of eligibility for entry of the goods at preferential rates of duty or has relation to the Member's prescribed method of valuation for customs purposes.

8. The provisions of this Article shall not apply to the operation of aircraft in transit, but shall apply to air transit of goods (including baggage).

Article 33

Anti-dumping and Countervailing Duties

1. The Members recognize that dumping, by which products of one country are introduced into the commerce of another country at less than the normal value of the products, is to be condemned if it causes or threatens material injury to an established industry in a Member country or materially retards the establishment of a domestic industry. For the purposes of this Article, a product is to be considered as being introduced into the commerce of an importing country at less than its normal value, if the price of the product exported from one country to another:

(a) is less than the comparable price, in the ordinary course of trade, for the like product when destined for consumption in the exporting country, or,

(b) in the absence of such domestic price, is less than either

(i) the highest comparable price for the like product for export to any third country in the ordinary course of trade, or

(ii) the cost of production of the product in the country of origin plus a reasonable addition for selling cost and profit.

Due allowance shall be made in each case for differences in conditions and terms of sale, for differences in taxation, and for other differences affecting price comparability.

2. In order to offset or prevent dumping, a Member may levy on any dumped product an anti-dumping duty not greater in amount than the margin of dumping in respect of such product. For the purposes of this Article, the margin of dumping is the price difference determined in accordance with the provisions of paragraph 1.
3. No countervailing duty shall be levied on any product of any Member country imported into another Member country in excess of an amount equal to the estimated bounty or subsidy determined to have been granted, directly or indirectly, on the manufacture, production or export of such product in the country of origin or exportation, including any special subsidy to the transportation of a particular product. The term "countervailing duty" shall be understood to mean a special duty levied for the purpose of offsetting any bounty or subsidy bestowed, directly or indirectly, upon the manufacture, production or export of any merchandise.

4. No product of any Member country imported into any other Member country shall be subject to anti-dumping or countervailing duty by reason of the exemption of such product from duties or taxes borne by the like product when destined for consumption in the country of origin or exportation, or by reason of the refund of such duties or taxes.

5. No product of any Member country imported into any other Member country shall be subject to both anti-dumping and countervailing duties to compensate for the same situation of dumping or export subsidization.

6. No Member shall levy any anti-dumping or countervailing duty on the importation of any product of another Member country unless it determines that the effect of the dumping or subsidization, as the case may be, is such as to cause or threaten material injury to an established domestic industry, or is such as to retard materially the establishment of a domestic industry. The Organization may waive the requirements of this paragraph so as to permit a Member to levy an anti-dumping or countervailing duty on the importation of any product for the purpose of offsetting dumping or subsidization which causes or threatens material injury to an industry in another Member country exporting the product concerned to the importing Member country.

7. A system for the stabilization of the domestic price or of the return to domestic producers of a primary commodity, independently of the movements of export prices, which results at times in the sale of the commodity for export at a price lower than the comparable price charged for the like commodity to buyers in the domestic market, shall be presumed not to result in material injury within the meaning of paragraph 6 if it is determined by consultation among the Members substantially interested in the commodity concerned that:

(a) the system has also resulted in the sale of the commodity for export at a price higher than the comparable price charged for the like commodity to buyers in the domestic market, and

(b) the system is so operated, either because of the effective regulation of production, or otherwise, as not to stimulate exports
exports unduly or otherwise seriously prejudice the interests of other Members.

Article 3b

Valuation for Customs Purposes

1. The Members shall work toward the standardization, as far as practicable, of definitions of value and of procedures for determining the value of products subject to customs duties or other charges or restrictions based upon or regulated in any manner by value. With a view to furthering co-operation to this end, the Organization may study and recommend to Members such bases and methods for determining value for customs purposes as would appear best suited to the needs of commerce and most capable of general adoption.

2. The Members recognize the validity of the general principles of valuation set forth in paragraphs 3, 4 and 5, and they undertake to give effect, at the earliest practicable date, to these principles in respect of all products subject to duties or other charges or restrictions on importation based upon or regulated in any manner by value. Moreover, they shall, upon a request by another Member directly affected, review in the light of these principles the operation of any of their laws or regulations relating to value for customs purposes. The Organization may request from Members reports on steps taken by them in pursuance of the provisions of this Article.

3. (a) The value for customs purposes of imported merchandise should be based on the actual value of the imported merchandise on which duty is assessed, or of like merchandise, and should not be based on the value of merchandise of national origin or on arbitrary or fictitious values.

(b) "Actual value" should be the price at which, at a time and place determined by the legislation of the country of importation, and in the ordinary course of trade, such or like merchandise is sold or offered for sale under fully competitive conditions. To the extent to which the price of such or like merchandise is governed by the quantity in a particular transaction, the price to be considered should uniformly be related to either (i) comparable quantities, or (ii) quantities not less favourable to importers than those in which the greater volume of the merchandise is sold in the trade between the countries of exportation and importation.

(c) When the actual value is not ascertainable in accordance with sub-paragraph (b), the value for customs purposes should be based on the nearest ascertainable equivalent of such value.

4. The value for customs purposes of any imported product should not include the amount of any internal tax, applicable within the country of origin or export,
export, from which the imported product has been exempted or has been or will be relieved by means of refund.

5. (a) Except as otherwise provided in this paragraph, where it is necessary for the purposes of paragraph 3 for a Member to convert into its own currency a price expressed in the currency of another country, the conversion rate of exchange to be used shall be based on the par values of the currencies involved, as established pursuant to the Articles of Agreement of the International Monetary Fund or by special exchange agreements entered into pursuant to Article 24 of this Charter.

(b) Where no such par value has been established, the conversion rate shall reflect effectively the current value of such currency in commercial transactions.

(c) The Organization, in agreement with the International Monetary Fund, shall formulate rules governing the conversion by Members of any foreign currency in respect of which multiple rates of exchange are maintained consistently with the Articles of Agreement of the International Monetary Fund. Any Member may apply such rules in respect of such foreign currencies for the purposes of paragraph 3 of this Article as an alternative to the use of par values. Until such rules are adopted by the Organization, any Member may employ, in respect of any such foreign currency, rules of conversion for the purposes of paragraph 3 of this Article which are designed to reflect effectively the value of such foreign currency in commercial transactions.

6. Nothing in this Article shall be construed to require any Member to alter the method of converting currencies for customs purposes, which is applicable in its territory on the date of this Charter, if such alteration would have the effect of increasing generally the amounts of duty payable.

7. The bases and methods for determining the value of products subject to duties or other charges or restrictions based upon or regulated in any manner by value should be stable and should be given sufficient publicity to enable traders to estimate, with a reasonable degree of certainty, the value for customs purposes.

Article 35

Formalities connected with Importation and Exportation

1. The Members recognize that all fees and charges of whatever character (other than import and export duties and other than taxes within the purview of Article 18) imposed by governmental authorities on or in connection with importation or exportation should be limited in amount to the approximate cost of
cost of services rendered and should not represent an indirect protection to
domestic products or a taxation of imports or exports for fiscal purposes.
The Members also recognize the need for reducing the number and diversity of
such fees and charges, for minimizing the incidence and complexity of import
and export formalities, and for decreasing and simplifying import and export
documentation requirements.

2. The Members shall take action in accordance with the principles and
objectives of paragraph 1 at the earliest practicable date. Moreover, they
shall, upon request by another Member directly affected, review the operation
of any of their laws and regulations in the light of these principles. The
Organization may request from Members reports on steps taken by them in
pursuance of the provisions of this paragraph.

3. The provisions of paragraphs 1 and 2 shall extend to fees, charges,
formalities and requirements imposed by governmental authorities in connection
with importation and exportation, including those relating to:

(a) consular transactions, such as those relating to consular invoices
    and certificates;
(b) quantitative restrictions;
(c) licensing;
(d) exchange control;
(e) statistical services;
(f) documents, documentation and certification;
(g) analysis and inspection; and
(h) quarantine, sanitation and fumigation.

4. The Organization may study and recommend to Members specific measures
for the simplification and standardization of customs formalities and techniques
and for the elimination of unnecessary customs requirements, including those
relating to advertising matter and samples for use only in taking orders for
merchandise.

5. No Member shall impose substantial penalties for minor breaches of customs
regulations or procedural requirements. In particular, no penalty in respect
of any omission or mistake in customs documentation which is easily rectifiable
and obviously made without fraudulent intent or gross negligence shall be
greater than necessary to serve merely as a warning.

6. The Members recognize that tariff descriptions based on distinctive
regional or geographical names should not be used in such a manner as to
discriminate against products of Member countries. Accordingly, the Members
shall co-operate with each other directly and through the Organization with
a view to eliminating at the earliest practicable date practices which are
inconsistent with this principle.

/Article 36
Article 36

Marks of Origin

1. The Members recognize that, in adopting and implementing laws and regulations relating to marks of origin, the difficulties and inconveniences which such measures may cause to the commerce and industry of exporting countries should be reduced to a minimum.

2. Each Member shall accord to the products of each other Member country treatment with regard to marking requirements no less favourable than the treatment accorded to like products of any third country.

3. Whenever it is administratively practicable to do so, Members should permit required marks of origin to be affixed at the time of importation.

4. The laws and regulations of Members relating to the marking of imported products shall be such as to permit compliance without seriously damaging the products or materially reducing their value or unreasonably increasing their cost.

5. The Members agree to work in co-operation through the Organization toward the early elimination of unnecessary marking requirements. The Organization may study and recommend to Members measures directed to this end, including the adoption of schedules of general categories of products, in respect of which marking requirements operate to restrict trade to an extent disproportionate to any proper purpose to be served, and which shall not in any case be required to be marked to indicate their origin.

6. As a general rule no special duty or penalty should be imposed by any Member for failure to comply with marking requirements prior to importation unless corrective marking is unreasonably delayed or deceptive marks have been affixed or the required marking has been intentionally omitted.

7. The Members shall co-operate with each other directly and through the Organization with a view to preventing the use of trade names in such manner as to misrepresent the true origin of a product, to the detriment of the distinctive regional or geographical names of products of a Member country which are protected by the legislation of such country. Each Member shall accord full and sympathetic consideration to such requests or representations as may be made by any other Member regarding the application of the undertaking set forth in the preceding sentence to names of products which have been communicated to it by the other Member. The Organization may
recommend a conference of interested Members on this subject.

Article 37

Publication and Administration of Trade Regulations:

1. Laws, regulations, judicial decisions and administrative rulings of general application made effective by any Member, pertaining to the classification or the valuation of products for customs purposes, or to rates of duty, taxes or other charges, or to requirements, restrictions or prohibitions on imports or exports or on the transfer of payments therefor, or affecting their sale, distribution, transportation, insurance, warehousing, inspection, exhibition, processing, mixing or other use, shall be published promptly in such a manner as to enable governments and traders to become acquainted with them. Agreements affecting international trade policy which are in force between the government or governmental agency of any Member country and the government or governmental agency of any other country shall also be published. Copies of such laws, regulations, decisions, rulings and agreements shall be communicated promptly to the Organization. The provisions of this paragraph shall not require any Member to divulge confidential information the disclosure of which would impede law enforcement or otherwise be contrary to the public interest or would prejudice the legitimate commercial interests of particular enterprises, public or private.

2. No measure of general application taken by any Member affecting an advance in a rate of duty or other charge on imports under an established and uniform practice or imposing a new or more burdensome requirement, restriction or prohibition on imports, or on the transfer of payments therefor, shall be enforced before such measure has been officially made public.

3. (a) Each Member shall administer in a uniform, impartial and reasonable manner all its laws, regulations, decisions and rulings of the kind described in paragraph 1. Suitable facilities shall be afforded for traders directly affected by any of those matters to consult with the appropriate governmental authorities.

(b) Each Member shall maintain or institute as soon as practicable, judicial, arbitral or administrative tribunals or procedures for the purpose, inter alia, of the prompt review and correction of administrative action relating to customs matters. Such tribunals or procedures shall be independent of the agencies entrusted with administrative enforcement and their decisions shall be implemented by, and shall govern the practice of, such agencies unless an appeal is lodged with a court or tribunal of superior jurisdiction within the
within the time prescribed for appeals to be lodged by importers; Provided that the central administration of such agency may take steps to obtain a review of the matter in another proceeding if there is good cause to believe that the decision is inconsistent with established principles of law or the actual facts,

(c) The provisions of sub-paragraph (b) shall not require, the elimination or substitution of procedures in force in a Member country on the date of the Charter which in fact provide for an objective and impartial review of administrative action, even though such procedures are not fully or formally independent of the agencies entrusted with administrative enforcement. Any Member employing such procedures shall, upon request, furnish the Organization with full information thereon in order that the Organization may determine whether such procedures conform to the requirements of this sub-paragraph.

Article 38

Information, Statistics and Trade

Terminology

1. The Members shall communicate to the Organization, or to such agency as may be designated for the purpose by the Organization, as promptly and in as much detail as is reasonably practicable:

(a) statistics of their external trade in goods (imports, exports and, where applicable, re-exports, transit and trans-shipment and goods in warehouse or in bond);

(b) statistics of governmental revenue from import and export duties and other taxes on goods moving in international trade and, insofar as readily ascertainable, of subsidy payments affecting such trade.

2. So far as possible, the statistics referred to in paragraph 1 shall be related to tariff classifications and shall be in such form as to reveal the operation of any restrictions on importation or exportation which are based on or regulated in any manner by quantity or value or amounts of exchange made available.

3. The Members shall publish regularly and as promptly as possible the statistics referred to in paragraph 1.

4. The Members shall give careful consideration to any recommendations which the Organization may make to them with a view to improving the statistical information furnished under paragraph 1.

5. The Members shall make available to the Organization, at its request and insofar as is reasonably practicable, such other statistical information as the Organization
as the Organization may deem necessary to enable it to fulfil its functions, provided that such information is not being furnished to other intergovernmental organizations from which the Organization can obtain it.

6. The Organization shall act as a centre for the collection, exchange and publication of statistical information of the kind referred to in paragraph 1. The Organization, in collaboration with the Economic and Social Council of the United Nations, and with any other organization deemed appropriate, may engage in studies with a view to improving the methods of collecting, analyzing and publishing economic statistics and may promote the international comparability of such statistics, including the possible international adoption of standard tariff and commodity classifications.

7. The Organization, in co-operation with the other organizations referred to in paragraph 6, may also study the question of adopting standards, nomenclatures, terms and forms to be used in international trade and in the official documents and statistics of Members relating thereto, and may recommend the general acceptance by Members of such standards, nomenclatures, terms and forms.

(Note: Article 39 has been deleted.)
Emergency Action on Imports of Particular Products

1. (a) If, as a result of unforeseen developments and of the effect of the obligations incurred by a Member under or pursuant to this Chapter, including tariff concessions, any product is being imported into the territory of that Member in such relatively increased quantities and under such conditions as to cause or threaten serious injury to domestic producers in that territory of like or directly competitive products, the Member shall be free, in respect of such product, and to the extent and for such time as may be necessary to prevent or remedy such injury, to suspend the obligation in whole or in part or to withdraw or modify the concession.

(b) If any product which is the subject of a concession with respect to a preference is being imported into the territory of a Member in the circumstances set forth in sub-paragraph (a), so as to cause or threaten serious injury to domestic producers of like or directly competitive products in the territory of a Member which receives or received such preference, the importing Member shall be free, if that other Member so requests, to suspend the relevant obligation in whole or in part or to withdraw or modify the concession in respect of the product, to the extent and for such time as may be necessary to prevent or remedy such injury.

2. Before any Member shall take action pursuant to the provisions of paragraph 1, it shall give notice in writing to the Organization as far in advance as may be practicable and shall afford the Organization and those Members having a substantial interest as exporters of the product concerned an opportunity to consult with it in respect of the proposed action. When such notice is given in regard to a concession relating to a preference, the notice shall name the Member which has requested the action. In circumstances of special urgency, where delay would cause damage which it would be difficult to repair, action under paragraph 1 may be taken provisionally without prior consultation, on the condition that consultation shall be effected immediately after taking such action.

3. (a) If agreement among the interested Members with respect to the action is not reached, the Member which proposes to take or continue the action shall, nevertheless, be free to do so, and if such action is taken or continued, the affected Members shall then be free, not later than ninety days after such action is taken, to suspend, upon the expiration of thirty days from the day on which written notice of such suspension is received by the Organization, the application to the trade of the Member taking such action, or, in the case

/envisioned in
envisaged in paragraph 1 (b), to the trade of the Member requesting such action, of such substantially equivalent obligations or concessions under or pursuant to this Chapter the suspension of which the Organization does not disapprove.

(b) Notwithstanding the provisions of sub-paragraph (a), where action is taken without prior consultation under paragraph 2 and causes or threatens serious injury in the territory of a Member to the domestic producers of products affected by the action, that Member shall, where delay would cause damage difficult to repair, be free to suspend, upon the taking of the action and throughout the period of consultation, such obligations or concessions as may be necessary to prevent or remedy the injury.

4. Nothing in this Article shall be construed (a) to require any Member, in connection with the withdrawal or modification by such Member of any concession negotiated pursuant to Article 17, to consult with or obtain the agreement of Members other than those Members which are contracting parties to the General Agreement on Tariffs and Trade, or (b) to authorize any Member which is not a contracting party to that Agreement, to withdraw from or suspend obligations under this Charter by reason of the withdrawal or modification of such concession.

Article 41
Consultation

Each Member shall accord sympathetic consideration to, and shall afford adequate opportunity for consultation regarding, such representations as may be made by any other Member with respect to the operation of customs regulations and formalities, anti-dumping and countervailing duties, quantitative and exchange regulations, internal price regulations, subsidies, transit regulations and practices, state trading, sanitary laws and regulations for the protection of human, animal or plant life or health, and generally with respect to all matters affecting the operation of this Chapter.
1. The provisions of Chapter IV shall apply to the metropolitan customs territories of the Members and to any other customs territories in respect of which this Charter has been accepted in accordance with the provisions of Article 99. Each such customs territory shall, exclusively for the purposes of the territorial application of Chapter IV, be treated as though it were a Member; provided that the provisions of this paragraph shall not be construed to create any rights or obligations as between two or more customs territories in respect of which this Charter has been accepted by a single Member.

2. For the purposes of this Chapter a customs territory shall be understood to mean any territory with respect to which separate tariffs or other regulations of commerce are maintained for a substantial part of the trade of such territory with other territories.

Article 42b

Frontier Traffic.

The provisions of this Chapter shall not be construed to prevent:

(a) advantages accorded by any Member to adjacent countries in order to facilitate frontier traffic;

(b) advantages accorded to the trade with the Free Territory of Trieste by countries contiguous to that territory, provided that such advantages are not in conflict with the Treaties of Peace arising out of the Second World War.
Article 42B

Customs Unions and Free-Trade Areas

1. Members recognize the desirability of increasing freedom of trade by the development, through voluntary agreements, of closer integration between the economies of the countries parties to such agreements. They also recognize that the purpose of a customs union or free-trade area should be to facilitate trade between the parties and not to raise barriers to the trade of other Member countries with such parties.

2. Accordingly, the provisions of this Chapter shall not prevent, as between the territories of Members, the formation of a customs union or a free-trade area or the adoption of an interim agreement necessary for the formation of a customs union or a free-trade area; Provided that:

(a) with respect to a customs union, or an interim agreement leading to the formation of a customs union, the duties and other regulations of commerce imposed at the institution of any such union or interim agreement in respect of trade with Member countries not parties to such union or agreement shall not on the whole be higher or more restrictive than the general incidence of the duties and regulations of commerce applicable in the constituent territories prior to the formation of such union or the adoption of such interim agreement, as the case may be;

(b) with respect to a free-trade area, or an interim agreement leading to the formation of a free-trade area, the duties and other regulations of commerce maintained in each of the constituent territories and applicable at the formation of such free-trade area or the adoption of such interim agreement to the trade of Member countries not included in such area or not parties to such agreement shall not be higher or more restrictive than the corresponding duties and other regulations of commerce existing in the same constituent territories prior to the formation of the free-trade area, or interim agreement, as the case may be; and

/(c) any interim
(c) any interim agreement referred to in sub-paragraphs (a) and
(b) shall include a plan and schedule for the formation of
such a customs union or such a free-trade area within a
reasonable length of time.

3. (a) Any Member deciding to enter into a customs union or free-
trade area, or an interim agreement leading to the formation
of such a union or area, shall promptly notify the Organiza-
tion and shall make available to it such information regard-
ing the proposed union or area as will enable the Organization
to make such reports and recommendations to Members as it may
determine appropriate.

(b) If, after having studied the plan and schedule provided
for in an interim agreement referred to in paragraph 2 in
consultation with the parties to that agreement and taking
due account of the information made available in accordance
with the provisions of sub-paragraph (a), the Organization
finds that such agreement is not likely to result in a cus-
toms union or a free-trade area within the period contem-
plated by the parties to the agreement or that such period
is not a reasonable one, the Organization shall make recom-
endations to the parties to the agreement. The parties shall
not maintain or put into force, as the case may be, such
agreement if they are not prepared to modify it in accordance
with these recommendations.

(c) Any substantial change in the plan or schedule referred
to in paragraph 2 (c) shall be communicated to the Organiza-
tion, which may request the Members concerned to consult with
it if the change seems likely to jeopardize or delay unduly
the formation of the customs union or the free-trade area.

/4. For the purposes
4. For the purposes of this Charter:

(a) A customs union shall be understood to mean the substitution of a single customs territory for two or more customs territories, so that

(i) duties and other restrictive regulations of commerce (except, where necessary, those permitted under Section B of Chapter IV and under Article 43) are eliminated with respect to substantially all the trade between the constituent territories of the union or at least with respect to substantially all the trade in products originating in such territories, and,

(ii) subject to the provisions of paragraph 5, substantially the same duties and other regulations of commerce are applied by each of the members of the union to the trade of territories not included in the union;

(b) A free-trade area shall be understood to mean a group of two or more customs territories in which the duties and other restrictive regulations of commerce (except, where necessary, those permitted under Section B of Chapter IV and under Article 43) between such territories are eliminated on substantially all the trade in products originating in the constituent territories.

5. The preferences referred to in paragraph 2 of Article 16 shall not be affected by the formation of a customs union or a free-trade area but may be eliminated or adjusted by means of negotiations with Members affected. This procedure of negotiations with affected Members shall, in particular, apply to the elimination of preferences required to conform with the provisions of paragraph 4(a)(i) and paragraph 4(b).

/6. The Organization
6. The Organization may, by a two-thirds majority of the Members present and voting, approve proposals which do not fully comply with the requirements of the preceding paragraphs, provided that such proposals lead to the formation of a customs union or a free-trade area in the sense of this Article.

**Article 43**

**General Exceptions to Chapter IV**

1. Subject to the requirement that such measures are not applied in a manner which would constitute a means of arbitrary or unjustifiable discrimination between Member countries where the same conditions prevail, or a disguised restriction on international trade, nothing in this Chapter shall be construed to prevent the adoption or enforcement by any Member of measures

   (a) (i) necessary to protect public morals;
   
   (ii) necessary to the enforcement of laws and regulations relating to public safety;
   
   (iii) necessary to protect human, animal or plant life or health;
   
   (iv) relating to
(iv) relating to the importation or exportation of gold or silver;
(v) necessary to secure compliance with laws or regulations which are not inconsistent with the provisions of this Chapter, including those relating to customs enforcement, the enforcement of monopolies operated under Section D of this Chapter, the protection of patents, trade marks and copyrights, and the prevention of deceptive practices;
(vi) relating to the products of prison labour;
(vii) imposed for the protection of national treasures of artistic, historic or archaeological value;
(viii) relating to the conservation of exhaustible natural resources if such measures are made effective in conjunction with restrictions on domestic production or consumption;
(ix) taken in pursuance of inter-governmental commodity agreements concluded in accordance with the provisions of Chapter VII;
(x) taken in pursuance of any inter-governmental agreement which relates solely to the conservation of fisheries resources, migratory birds or wild animals and which is subject to the requirements of paragraph 1 (d) of Article 67; or
(xi) involving restrictions on exports of domestic materials necessary to assure essential quantities of such materials to a domestic processing industry during periods when the domestic price of such materials is held below the world price as part of a governmental stabilization plan; Provided that such restrictions shall not operate to increase the exports of or the protection afforded to such domestic industry and shall not depart from the provisions of this Chapter relating to non-discrimination;
(b) (i) essential to the acquisition or distribution of products in general or local short supply; Provided that any such measures shall be consistent with any general inter-governmental arrangements directed to an equitable international distribution of such products or, in the absence of such arrangements, with the principle that all Members are entitled to an equitable share of the international supply of such products;
(ii) essential to the control of prices by a Member country experiencing shortages subsequent to the Second World War; or
/(iii) essential to
(iii) essential to the orderly liquidation of temporary surpluses of stocks owned or controlled by the government of any Member country, or of industries developed in any Member country owing to the exigencies of the Second World War which it would be uneconomic to maintain in normal conditions; Provided that such measures shall not be instituted by any Member except after consultation with other interested Members with a view to appropriate international action.

2. Measures instituted or maintained under paragraph 1 (b) which are inconsistent with the other provisions of this Chapter shall be removed as soon as the conditions giving rise to them have ceased, and in any event not later than at a date to be specified by the Organization; Provided that such date may be deferred for a further period or periods, with the concurrence of the Organization, either generally or in relation to particular measures taken by Members in respect of particular products.
ANNEXES PERTAINING TO PARAGRAPH 2 OF ARTICLE 16

ANNEX A.

LIST OF TERRITORIES REFERRED TO IN PARAGRAPH 2 (a) OF ARTICLE 16

United Kingdom of Great Britain and Northern Ireland
Dependent territories of the United Kingdom of Great Britain and Northern Ireland
Canada
Commonwealth of Australia
Dependent territories of the Commonwealth of Australia
New Zealand
Dependent territories of New Zealand
Union of South Africa including South West Africa
Ireland
India (as at April 10, 1947)
Newfoundland
Southern Rhodesia
Burma
Ceylon

Certain of the territories listed above have two or more preferential rates in force for certain products. Any such territory may, by agreement with the other Members which are principal suppliers of such products at the most-favoured-nation rate, substitute for such preferential rates a single preferential rate which shall not on the whole be less favourable to suppliers at the most-favoured-nation rate than the preferences in force prior to such substitution.

The preferential arrangements referred to in paragraph 5 (b) of Article 23 are those existing in the United Kingdom on April 10, 1947, under contractual agreements with the Governments of Canada, Australia, and New Zealand, in respect of chilled and frozen beef and veal, frozen mutton and lamb, chilled and frozen pork, and bacon. Without prejudice to any action taken under paragraph 1 (a) (ix) of Article 43, negotiations shall be entered into when practicable among the countries substantially concerned or involved, in the manner provided for in...
Article 17, for the elimination of these arrangements or their replacement by tariff preferences. If after such negotiations have taken place a tariff preference is created or an existing tariff preference is increased to replace these arrangements such action shall not be considered to contravene the provisions of Article 16 or Article 17.

The film hire tax in force in New Zealand on April 10, 1947 shall, for the purpose of this Charter, be treated as a customs duty falling under Articles 16 and 17. The renters’ film quota in force in New Zealand on April 10, 1947, shall for the purposes of this Charter be treated as a screen quota falling under Article 19.

The Dominions of India and Pakistan have not been mentioned separately in the above list since they had not come into existence as such on the base date of April 10, 1947.
LIST OF TERRITORIES OF THE FRENCH UNION REFERRED TO IN PARAGRAPH 2 (b) OF ARTICLE 7

France
French Equatorial Africa (Treaty Basin of the Congo* and other territories)
French West Africa
Cameroons under French Mandate*
French Somali Coast and Dependencies
French Establishments in India*
French Establishments in Oceania
French Establishments in the Condominium of the New Hebrides*
Guadeloupe and Dependencies
French Guiana
Indo-China
Madagascar and Dependencies
Morocco (French Zone)*
Martinique
New Caledonia and Dependencies
Reunion
Saint-Pierre and Miquelon
Togo under French Mandate*
Tunisia

*For imports into Metropolitan France and territories of the French Union.
ANNEX C

LIST OF TERRITORIES OF THE CUSTOMS UNION OF BELGIUM, LUXEMBOURG AND THE NETHERLANDS REFERRED TO IN PARAGRAPH 2 (b) OF ARTICLE 16

The Economic Union of Belgium and Luxembourg

Belgian Congo

Ruanda Urundi

The Netherlands

Netherlands Indies

Surinam

Curacao

(For imports into the metropolitan territories of the Customs Union.)

ANNEX D

LIST OF TERRITORIES OF THE UNITED STATES OF AMERICA REFERRED TO IN PARAGRAPH 2 (b) OF ARTICLE 16

United States of America (customs territory)

Dependent territories of the United States of America
ANNEX E

LIST OF PORTUGUESE TERRITORIES REFERRED TO IN PARAGRAPH 2 (b) OF ARTICLE 16

Portugal and the Archipelagoes of Madeira and the Azores
Archipelago of Cape Verde
Guinea
St. Tomé and Principe and Dependencies
S. Joao Batista de Ajuda
Cabinda
Angola
Mozambique
State of India and Dependencies
Macao and Dependencies
Timor and Dependencies

ANNEX F

LIST OF TERRITORIES COVERED BY PREFERENTIAL ARRANGEMENTS BETWEEN CHILE AND NEIGHBOURING COUNTRIES REFERRED TO IN PARAGRAPH 2 (e) OF ARTICLE 16

Preferences in force exclusively between, on the one hand, Chile
and, on the other hand,

1. Argentina
2. Bolivia
3. Peru,
respectively.
LIST OF TERRITORIES COVERED BY PREFERENTIAL ARRANGEMENTS BETWEEN THE 
SYRO-LEBANESE CUSTOMS UNION AND NEIGHBOURING COUNTRIES REFERRED TO IN 
PARAGRAPH 2 (e) OF ARTICLE 16

Preferences in force exclusively between, on the one hand,

The Syro-Lebanese Customs Union

and, on the other hand,

1. Palestine
2. Transjordan,

respectively.

LIST OF TERRITORIES COVERED BY PREFERENTIAL ARRANGEMENTS AMONG COLOMBIA, 
ECUADOR AND VENEZUELA REFERRED TO IN PARAGRAPH 2 (e) OF ARTICLE 16

Preferences in force exclusively between two or more of the following countries:

Colombia

Ecuador

Venezuela

Notwithstanding the provisions of Article 16, Venezuela may provisional

ly maintain the special surcharges which on November 21, 1947, were levied

on products imported via certain territories: Provided that such surcharges

shall not be increased above the level in effect on that date and shall be

eliminated not later than five years from the date of this Charter.
ANNEX I

LIST OF TERRITORIES COVERED BY PREFERENTIAL ARRANGEMENTS AMONG THE REPUBLICS OF CENTRAL AMERICA REFERRED TO IN PARAGRAPH 2 (e) OF ARTICLE 16

Preferences in force exclusively between two or more of the following countries:
- Costa Rica
- El Salvador
- Guatemala
- Honduras
- Nicaragua

ANNEX J

LIST OF TERRITORIES COVERED BY PREFERENTIAL ARRANGEMENTS BETWEEN ARGENTINA AND NEIGHBOURING COUNTRIES REFERRED TO IN PARAGRAPH 2 (e) OF ARTICLE 16

Preferences in force exclusively between, on the one hand,
- Argentina

and, on the other hand,
1. Bolivia
2. Chile
3. Paraguay
respectively.
Exceptions to the Rule of Non-discrimination

(Applicable to Members who so elect, in accordance with paragraph 1 (d) of Article 23, in lieu of paragraphs 1 (b) and 1 (c) of Article 23.)

1. (a) A Member applying import restrictions under Article 21 may relax such restrictions in a manner which departs from the provisions of Article 22 to the extent necessary to obtain additional imports above the maximum total of imports which it could afford in the light of the requirements of paragraphs 3 (a) and 3 (b) of Article 21 if its restrictions were fully consistent with the provisions of Article 22; Provided that

(i) levels of delivered prices for products so imported are not established substantially higher than those ruling for comparable goods regularly available from other Member countries, and that any excess of such price levels for products so imported is progressively reduced over a reasonable period;

(ii) the Member taking such action does not do so as part of any arrangement by which the gold or convertible currency which the Member currently receives directly or indirectly from its exports to other Members not party to the arrangement is appreciably reduced below the level it could otherwise have been reasonably expected to attain;

(iii) such action does not cause unnecessary damage to the commercial or economic interests of any other Member, including interests under Articles 3 and 9.

(b) Any Member taking action under this paragraph shall observe the principles of sub-paragraph (a). A Member shall desist from transactions which prove to be inconsistent with that sub-paragraph but the Member shall not be required to satisfy itself, when it is not practicable to do so, that the requirements of that sub-paragraph are fulfilled in respect of individual transactions.

/2. Any Member
2. Any Member taking action under paragraph 1 of this Annex shall keep the Organization regularly informed regarding such action and shall provide such available relevant information as the Organization may request.

3. If at any time the Organization finds that import restrictions are being applied by a Member in a discriminatory manner inconsistent with the exceptions provided for under paragraph 1 of this Annex, the Member shall, within sixty days, remove the discrimination or modify it as specified by the Organization; provided that any action under paragraph 1 of this Annex, to the extent that it has been approved by the Organization at the request of a Member under a procedure analogous to that of paragraph 5 (c) of Article 21, shall not be open to challenge under this paragraph or under paragraph 5 (d) of Article 21 on the ground that it is inconsistent with the provisions of Article 22.
Ad Article 16

Note 1

The term "margin of preference" means the absolute difference between the most-favoured-nation rate of duty and the preferential rate of duty for the like product, and not the proportionate relation between those rates. As examples:

1. If the most-favoured-nation rate were 36 per cent ad valorem and the preferential rate were 24 per cent ad valorem, the margin of preference would be 12 per cent ad valorem, and not one-third of the most-favoured-nation rate.

2. If the most-favoured-nation rate were 36 per cent ad valorem and the preferential rate were expressed as two-thirds of the most-favoured-nation rate, the margin of preference would be 12 per cent ad valorem.

3. If the most-favoured-nation rate were 2 francs per kilogram and the preferential rate 1.50 francs per kilogram, the margin of preference would be 0.50 francs per kilogram.

Note 2

The following kinds of customs action, taken in accordance with established uniform procedures, would not be contrary to the binding of margins of preference under paragraph 4:

(i) the re-application to an imported product of a tariff classification or rate of duty, properly applicable to such product, in cases in which the application of such classification or rate to such product was temporarily suspended or inoperative on April 10, 1947; and

(ii) the classification of a particular product under a tariff item other than that under which importations of that product were classified on April 10, 1947, in cases in which the tariff law clearly contemplates that such product may be classified under more than one tariff item.
article 17

An internal tax (other than a general tax uniformly applicable to a considerable number of products) which is applied to a product not produced domestically in substantial quantities shall be treated as a customs duty under Article 17 in any case in which a tariff concession on the product would not be of substantial value unless accompanied by a binding or a reduction of the tax.

Paragraph 2 (d)

In the event of the devaluation of a Member's currency, or of a rise in prices, the effects of such devaluation or rise in prices would be a matter for consideration during negotiations in order to determine, first, the change, if any, in the protective incidence of the specific duties of the Member concerned and, secondly, whether the binding of such specific duties represents in fact a concession equivalent in value to the substantial reduction of high duties or the elimination of tariff preferences.

ad Article 18

Any internal tax or other internal charge, or any law, regulation or requirement of the kind referred to in paragraph 1 which applies to an imported product and to the like domestic product and is collected or enforced in the case of the imported product at the time or point of importation, is nevertheless to be regarded as an internal tax or other internal charge, or a law, regulation or requirement of the kind referred to in paragraph 1, and is accordingly subject to the provisions of Article 18.

Paragraph 1

The application of paragraph 1 to internal taxes imposed by local governments and authorities within the territory of a Member is subject to the provisions of paragraph 3 of Article 99. The term "reasonable measures" in the last-mentioned paragraph would not require, for example, the repeal of existing national legislation authorizing local governments to impose internal taxes which, although technically inconsistent with the letter of Article 18, are not in fact inconsistent with its spirit, if such repeal would result in a serious financial hardship for the local governments or authorities concerned. With regard to taxation by local governments or authorities which is inconsistent with both the letter and spirit of Article 18, the term "reasonable measures" would permit a Member to eliminate the inconsistent taxation gradually over a transition period, if abrupt action would create serious administrative and financial difficulties.
Paragraph 2

A tax conforming to the requirements of the first sentence of paragraph 2 would be considered to be inconsistent with the provisions of the second sentence only in cases where competition was involved between, on the one hand, the taxed product and on the other hand, a directly competitive or substitutable product which was not similarly taxed.

Paragraph 5

Regulations consistent with the provisions of the first sentence of paragraph 5 shall not be considered to be contrary to the provisions of the second sentence in any case in which all of the products subject to the regulations are produced domestically in substantial quantities. A regulation cannot be justified as being consistent with the provisions of the second sentence on the ground that the proportion or amount allocated to each of the products which are the subject of the regulation constitutes an equitable relationship between imported and domestic products.

Ad Article 20

Paragraph 2 (a)

In the case of products which are basic to diet in the exporting country and which are subject to alternate annual shortages and surpluses, the provisions of paragraph 2 (a) do not preclude such export prohibitions or restrictions as are necessary to maintain from year to year domestic stocks sufficient to avoid critical shortages.

Paragraph 2 (c)

The expression "agricultural and fisheries product, imported in any form" means the product in the form in which it is originally sold by its producer and such processed forms of the product as are so closely related to the original product as regards utilization that their unrestricted importation would make the restriction on the original product ineffective.

Paragraph 3 (b)

The provisions for prior consultation would not prevent a Member which had given other Members a reasonable period of time for such consultation from introducing the restrictions at the date intended. It is recognized that, with regard to import restrictions applied under paragraph 2 (c) (ii), the period of advance notice provided would in some cases necessarily be relatively short.

Paragraph 3 (d)

The term "special factors" in paragraph 3 (d) includes among other factors changes in relative productive efficiency as between domestic and foreign
producers which may have occurred since the representative period.

**ad Article 21**

With regard to the special problems that might be created for Members which, as a result of their programmes of full employment, maintenance of high and rising levels of demand and economic development, find themselves faced with a high level of demand for imports and in consequence maintain quantitative regulation of their foreign trade, it was considered that the text of Article 21, together with the provision for export controls in certain parts of this Charter, for example, in Article 43, fully meet the position of these economies.

**ad Article 22**

**Paragraphs 2 (d) and (k)**

The term "special factors" as used in Article 22 includes among other factors the following changes, as between the various foreign producers, which may have occurred since the representative period:

1. changes in relative productive efficiency;
2. the existence of new or additional ability to export; and
3. reduced ability to export.

**Paragraph 3**

The first sentence of paragraph 3 (b) is to be understood as requiring the Member in all cases to give, not later than the beginning of the relevant period, public notice of any quota fixed for a specified future period, but as permitting a Member, which for urgent balance-of-payments reasons is under the necessity of changing the quota within the course of a specified period, to select the time of its giving public notice of the change. This in no way affects the obligation of a Member under the provisions of paragraph 3 (a), where applicable.

**ad Article 23**

**Paragraph 1 (g)**

The provisions of paragraph 1 (g) shall not authorize the Organization to require that the procedure of consultation be followed for individual transactions unless the transaction is of so large a scope as to constitute an act of general policy. In that event, the Organization shall, if the Member so requests, consider the transaction, not individually, but in relation to the Member's policy regarding imports of the product in question taken as a whole.

/Paragraph 2
Paragraph 2

One of the situations contemplated in paragraph 2 is that of a Member holding balances required as a result of current transactions which it finds itself unable to use without a measure of discrimination.

ad Article 24

Paragraph 8

For example, a Member which, as part of its exchange control operated in accordance with the Articles of Agreement of the International Monetary Fund, requires payment to be received for its exports in its own currency or in the currency of one or more members of the Fund would not thereby be deemed to contravene the provisions of Articles 20 or 22. Another example would be that of a Member which specifies on an import licence the country from which the goods may be imported, for the purpose, not of introducing any additional element of discrimination in its import licencing system, but of enforcing permissible exchange controls.

ad Article 30

Paragraph 1

Note 1

Different prices for sales and purchases of products in different markets are not precluded by the provisions of Article 30, provided that such different prices are charged or paid for commercial reasons, having regard to differing conditions, including supply and demand, in such markets.

Note 2

Sub-paragraphs (a) and (b) of paragraph 1 shall not be construed as applying to the trading activities of enterprises to which a Member has granted licences or other special privileges

(a) solely to ensure standards of quality and efficiency in the conduct of its external trade; or

(b) for the exploitation of its natural resources;

provided that the Member does not thereby establish or exercise effective control or direction of the trading activities of the enterprises in question, or create a monopoly whose trading activities are subject to effective governmental control or direction.

ad Article 31

Paragraphs 2 and 4

The maximum import duty referred to in paragraphs 2 and 4 would cover the
margin which has been negotiated or which has been published or notified to
the Organization, whether or not collected, wholly or in part, at the custom
house as an ordinary customs duty.

Paragraph 4

With reference to the second proviso, the method and degree of adjustment
to be permitted in the case of a primary commodity which is the subject of a
domestic price stabilization arrangement should normally be a matter for
agreement at the time of the negotiations under paragraph 2 (a).

Ad Article 32

Paragraph 1

The assembly of vehicles and mobile machinery arriving in a knocked-down
condition or the disassembly (or disassembly and subsequent reassembly) of
bulky articles shall not be held to render the passage of such goods outside
the scope of "traffic in transit", provided that any such operation is
undertaken solely for convenience of transport.

Paragraphs 3, 4 and 5

The word "charges" as used in the English text of paragraphs 3, 4 and 5
shall not be deemed to include transportation charges.

Paragraph 6

If, as a result of negotiations in accordance with paragraph 6, a Member
grants to a country which has no direct access to the sea more ample facilities
than those already provided for in other paragraphs of Article 32, such special
facilities may be limited to the land-locked country concerned unless the
Organization finds, on the complaint of any other Member, that the withholding
of the special facilities from the complaining Member contravenes the most-
favoured-nation provisions of this Charter.

Ad Article 33

Paragraph 1

Hidden dumping by associated houses (that is, the sale by an importer at
a price below that corresponding to the price invoiced by an exporter with
whom the importer is associated, and also below the price in the exporting
country) constitutes a form of price dumping with respect to which the margin
of dumping may be calculated on the basis of the price at which the goods are
resold by the importer.

Paragraphs 2 and 3

Note 1

As in many other cases in customs administration, a Member may require
reasonable
reasonable security (bond or cash deposit) for the payment of anti-dumping or countervailing duty pending final determination of the facts in any case of suspected dumping or subsidization.

Note 2

Multiple currency practices can in certain circumstances constitute a subsidy to exports which may be met by countervailing duties under paragraph 3, or can constitute a form of dumping by means of a partial depreciation of a country's currency which may be met by action under paragraph 2. By "multiple currency practices" is meant practices by governments or sanctioned by governments.

ad Article 34

Paragraph 3

Note 1

It would be in conformity with Article 34 to presume that "actual value" may be represented by the invoice price (or in the case of government contracts in respect of primary products, the contract price), plus any non-included charges for legitimate costs which are proper elements of "actual value" and plus any abnormal discount, or any reduction from the ordinary competitive price.

Note 2

If on the date of this Charter a Member has in force a system under which ad valorem duties are levied on the basis of fixed values, the provisions of paragraph 3 of Article 34 shall not apply:

1. in the case of values not subject to periodical revision in regard to a particular product, as long as the value established for that product remains unchanged;

2. in the case of values subject to periodical revision, on condition that the revision is based on the average "actual value" established by reference to an immediately preceding period of not more than twelve months and that such revision is made at any time at the request of the parties concerned or of Members. The revision shall apply to the importation or importations in respect of which the specific request for revision was made, and the revised value so established shall remain in force pending further revision.

Note 3

It would be in conformity with paragraph 3 (b) for a Member to construe the phrase "in the ordinary course of trade", read in conjunction with "under
fully competitive conditions", as excluding any transaction wherein the buyer and seller are not independent of each other and price is not the sole consideration.

Note 4

The prescribed standard of "fully competitive conditions" permits Members to exclude from consideration distributors' prices which involve special discounts limited to exclusive agents.

Note 5

The wording of sub-paragraphs (a) and (b) permits a Member to assess duty uniformly either (1) on the basis of a particular exporter's prices of the imported merchandise, or (2) on the basis of the general price level of like merchandise.

Paragraph 5

If compliance with the provisions of paragraph 5 would result in decreases in amounts of duty payable on products with respect to which the rates of duty have been bound by an international agreement, the term "at the earliest practicable date" in paragraph 2 allows the Member concerned a reasonable time to obtain adjustment of the agreement.

ad Article 35

Paragraph 3

While Article 35 does not cover the use of multiple rates of exchange as such, paragraphs 1 and 3 condemn the use of exchange taxes or fees as a device for implementing multiple currency practices; if, however, a Member is using multiple currency exchange fees for balance-of-payment reasons not inconsistently with the Articles of Agreement of the International Monetary Fund, the provisions of paragraph 2 fully safeguard its position since that paragraph merely requires that the fees be eliminated at the earliest practicable date.

ad Article 40

It is understood that any suspension, withdrawal or modification under paragraphs 1 (a), 1 (b) and 3 (b) must not discriminate against imports from any Member country, and that such action should avoid, to the fullest extent possible, injury to other supplying Member countries.

ad Article 41

The provisions for consultation require, subject to the exceptions specifically set forth in this Charter, Members to supply to other Members, upon request, such information as will enable a full and fair appraisal of /the matters
the matters which are the subject of such consultation, including the operation of sanitary laws and regulations for the protection of human, animal or plant life or health, and other matters affecting the application of Chapter IV.

Ad Article 42B

Paragraph 5

It is understood that the provisions of Article 16 would require that, when a product which has been imported into the territory of a member of a customs union or free-trade area at a preferential rate of duty is re-exported to the territory of another member of such union or area, the latter member should collect a duty equal to the difference between the duty already paid and the most-favoured-nation rate.

Ad Annex E

It is understood that the fact that a Member is operating under the provisions of paragraph 1 (b) (i) of Article 43 does not preclude that Member from operation under this Annex; but that the provisions of Article 23 (including this Annex) do not in any way limit the rights of Members under paragraph 1 (b) (i) of Article 43.