

THIRD COMMITTEE: COMMERCIAL POLICY

TEXT OF SECTION 'C' - SUBSIDIES - OF CHAPTER IV  
AS APPROVED IN SECOND READING

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 the territory of the Member 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 construed to be in conflict with the provisions of paragraph 1 of this Article. The use of the proceeds of such duties or taxes to make  
/payments

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 of this Article 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 justifying it. The Organization shall then determine whether, and if so on what terms, the extension requested should be made.

4. Notwithstanding the provisions of paragraph 1 of this Article, 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 that Member or with the Organization 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 product for export at a price lower than the comparable price charged for the like product 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 product for export at a price higher than the comparable price charged for the like product 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 affecting a primary commodity shall co-operate at all times in efforts to negotiate agreements under the procedures of Chapter VI.

/3. In any

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 procedure laid down 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, subject to the provisions of Article 28.
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. Any such new or additional subsidy shall be subject to the provisions of Article 25.
5. If the measures provided for in Chapter VI have not succeeded, or do not promise to succeed, within a reasonable period of time, or if an agreement is inappropriate, 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, 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. 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 Members which consider that serious prejudice to their 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 make a finding as to what constitutes an equitable share and the Member granting the subsidy shall conform to this finding.
4. In making its finding, the Organization shall take into account any  
/factors

factors which may have affected, or may be affecting, world trade in that primary commodity, and shall have particular regard to

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

(b) whether the subsidizing Member'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 significance;

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

(d) the existence of price stabilization systems in accordance with 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.

-----