

GENERAL AGREEMENT ON TARIFFS AND TRADE

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REPORT OF REVIEW WORKING PARTY III ON BARRIERS TO TRADE OTHER THAN RESTRICTIONS OR TARIFFS

1. The terms of reference of the Working Party included the consideration of proposals submitted with respect to:

- (a) Subsidies, and countervailing and anti-dumping measures, and
- (b) State trading, surplus disposal, disposal of non-commercial stocks and the general exceptions to the Agreement.

The following report treats these subjects under two general headings: Part I, dealing with the first of these categories of subjects, and Part II with the second.

2. With respect to subsidies and countervailing and anti-dumping duties, the Working Party has recommended in Annex I amendments affecting Article VI, and a new section to Article XVI covering "Additional Provisions on Export Subsidies". In the second category of subjects, the Working Party has recommended in Annex I amendments affecting paragraph 4 of Article II, additional provisions in Article XVII, and a re-arrangement and amendment of Article XX. Also in Annex II, the Working Party has recommended a resolution on the disposal of surplus stocks.

I. Subsidies, and countervailing and anti-dumping measures

(a) Article VI

3. The Working Party considered a number of proposals affecting this Article, but in the end decided to recommend only one amendment to the Article itself and the addition of one interpretative note, both mentioned below. They did, however, reach certain agreements concerning the intention of the present text which they wish to record in this report.

4. In connexion with the effect of Article VI on the practice of dumping itself, they agreed that it follows from paragraph 1 of Article VI that contracting parties should, within the framework of their legislation, refrain from encouraging dumping, as defined in that paragraph, by private commercial enterprises.

5. The Working Party also agreed that in the case where goods are not imported directly from the country of origin but are consigned to the country of importation from an intermediate territory, it would be in accordance with the terms of Article VI to determine the margin of dumping by comparing the price at which the goods are sold from the country of consignment to the country of importation with the comparable price (as defined in paragraph 1 of Article VI) in either the country of consignment or the country of origin or the goods. It is of course understood that where goods are merely trans-shipped through a third country without entering into the commerce of that country, it would not be permissible to apply anti-dumping duties by reference to prices of like goods in that country.

6. The Working Party considered a proposal by Czechoslovakia (W.9/86/Rev.1) for amending sub-paragraph 1(b) to deal with the special problem of finding comparable prices for the application of that sub-paragraph to the case of a country all, or substantially all, of whose trade is operated by a state monopoly. The Working Party was not prepared to recommend the amendment of the Article in this respect, but agreed to an interpretative note to meet the case. This note is recorded in Annex I.

7. With respect to paragraph 3 of Article VI, the Working Party considered a proposal submitted by New Zealand (L/270/Add.1) which would have permitted under certain circumstances the use of quantitative restrictions to offset subsidization or dumping. This proposal did not receive the support of the Working Party, and has not been recommended.

8. Certain proposals for amending or interpreting the text of paragraph 4 have not been adopted because it was agreed that they were unnecessary since they did not alter the meaning of the present text (Denmark, Norway and Sweden - L/273, L/276 and L/275; United Kingdom - W.9/68; Germany - L/261/Add.1).

9. The representatives of Australia and New Zealand originally proposed an extensive amendment to paragraph 6 which would have removed the requirement of prior approval by the CONTRACTING PARTIES before the imposition of a counter-vailing or anti-dumping measure designed to protect the industry of another exporting country. While this amendment did not receive wide support in its original form, a revised amendment proposed by those two delegations which is confined to countervailing duties, is recommended by the Working Party in Annex I. The United States representative also recorded his opposition to the amendment and reserved his position, and a formal reservation was recorded by the representative of South Africa. The representative of Brazil reserved his position with respect to sub-paragraph (c).

10. In connexion with this amendment, the representative of France proposed that the Working Party should agree that if a contracting party availed itself of the provisions of that sub-paragraph, it should do so on a non-discriminatory basis with regard to the countries concerned. This proposal was not accepted by the Working Party. In view of its rejection, the representative of France reserved his position with respect to the amendment as a whole. The representative of Czechoslovakia also reserved his position.

11. During the consideration of this subject by the Working Party, the Netherlands representative presented an oral proposal that the CONTRACTING PARTIES should be given the authority to require importing contracting parties to impose countervailing and anti-dumping duties against imports of a product from another country which, through the sale of the product concerned at a subsidized or dumping price, causes serious injury to other exporting contracting parties. This proposal was not accepted by the Working Party.

12. The Working Party also considered a proposal for an additional paragraph which was referred to it by Review Working Party II involving inter alia a requirement to report to the Organization on any measures taken under Article VI, but this proposal is not recommended by the Working Party.

(b) Article XVI

13. The Working Party considered many proposals for strengthening the present provisions of the Agreement with respect to the use of subsidies. So far as domestic subsidies are concerned, it was agreed that a contracting party which has negotiated a concession under Article II may be assumed, for the purpose of Article XXIII, to have a reasonable expectation, failing evidence to the contrary, that the value of the concession will not be nullified or impaired by the contracting party which granted the concession by the subsequent introduction of a domestic subsidy on the product concerned.

14. The Working Party also agreed that there was nothing to prevent contracting parties, when they negotiate for the binding or reduction of tariffs, from negotiating on matters, such as subsidies, which might affect the practical effects of tariff concessions, and from incorporating in the appropriate schedule annexed to the Agreement the results of such negotiations; provided that the results of such negotiations should not conflict with other provisions of the Agreement.

15. No change is proposed by the Working Party in the existing provisions of Article XVI, dealing with the obligation to consult in connexion with all subsidies, though some members of the Working Party preferred that the language be re-drafted so as to make clear the intention of the present text, that is, that consultations can be initiated by a contracting party which considers that serious prejudice to its interests is being caused or threatened without the necessity for prior action by the CONTRACTING PARTIES (See page 52, paragraph 6 of the Analytical Index).

16. In connexion with the existing text, the Working Party has also decided to recommend to contracting parties that in so far as practicable they conform to the following standards in connexion with notifications under Article XVI:

Reports should be made in writing for individual commodities and under the headings listed below. A suggestion of the type of information which might be included under each heading is shown within brackets:

I. Nature and extent of the subsidy.

(a) Background and authority.

(The reason for the subsidy and the legislation under which it is granted.)

(b) Incidence.

(Whether paid to producers, to exporters, or in some other way; whether a fixed amount per unit, or fluctuating; if the latter, how determined.)

(c) Amount of subsidy.

(Total cost estimated or budgeted or, when this is not feasible, cost in preceding year.)

(d) Estimated amount per unit.

II. Effect of subsidy.

(Estimated effect on the quantity imported or exported in relation to a previous representative period.)

17. The various recommendations with respect to export subsidies have resulted in the recommendation by the Working Party that a new section be added to Article XVI, entitled "Additional Provisions on Export Subsidies". In addition to the text of this section, which appears in Annex I, and a number of interpretative notes, the Working Party agreed on certain interpretations which they wish to record in this report.

18. A number of under-developed countries raised the question of whether the criterion concerning an "equitable share" would prevent an exporting country which had no exports during the previous representative period from establishing its right to obtain a share in the trade of the product concerned. Accordingly, the Working Party adopted an interpretative note proposed by the representatives of Brazil and Turkey to cover the case.

19. The Working Party also agreed that in determining what are equitable shares of world trade the CONTRACTING PARTIES should not lose sight of:

(a) the desirability of facilitating the satisfaction of world requirements of the commodity concerned in the most effective and economic manner, and

(b) the fact that export subsidies in existence during the selected representative period may have influenced the share of the trade obtained by the various exporting countries.

20. The Working Party also agreed that nothing in the terms of Section B of Article XVI, relating to export subsidies, should be considered as limiting the scope of consultations envisaged under other provisions of the Agreement or as affecting in any way the right of a contracting party to impose countervailing and anti-dumping duties.

21. A number of members of the Working Party were concerned as to the possible effect of the proposed additional provisions on the right of countries to use multiple exchange rates in accordance with the Articles of Agreement of the International Monetary Fund. The Working Party has therefore recommended an interpretative note to cover this case. It wishes also to record the fact that the draft provisions have been considered by the Working Party on the assumption that paragraph 9(a) of Article XV in the present Agreement will not be altered. The representative of Australia reserved his position on that note.

22. In paragraph 3 of the proposed draft, a proposal had been made by the representatives of France and Uruguay to add "or individual markets for" after the words "world export trade in". They did not insist upon the inclusion of this phrase in the text proposed by the Working Party, but reserved their right to raise the matter at a later stage.

23. The greatest difficulty concerning the proposed text arose in connexion with paragraph 5. The representative of France stated that sub-paragraph (b) in this form would be unacceptable to his Government and reserved his right to propose alternative language when the CONTRACTING PARTIES considered this report. The representative of Turkey also reserved the position of his delegation on this sub-paragraph. Finally, the representative of Uruguay made a statement that his Government could support the amendment to Article XVI subject to further study of the revised Agreement when his Government considers ratification.

24. The Italian delegation recalled that it was unable to deviate from the principles behind its proposal, as set out in document W.9/138, and that in consequence, it had to reserve its position in respect of the text proposed, which permitted the grant of export subsidies both for agricultural products and other primary commodities. Its reservation applied to the principles at the base of the proposed new paragraphs and to the dates by which commitments had to be made. The Italian delegation declared that 31 December 1958, the date by which subsidies for industrial products could no longer be granted, seemed more reasonable than the proposed date of 1 January 1958, and that the action envisaged in paragraph 6 should be deferred from 1 January 1955 to 1 January 1956.

II. State trading, surplus disposal, disposal of
non-commercial stocks, and general exceptions

(a) State trading

25. The Working Party considered a proposal for amending the existing provisions relating to state trading either by the adoption of Articles 29 - 31 of the Havana Charter or at least by the consolidation into a single article of the various provisions now in the Agreement that bear on state trading, paragraph 3 of Article XI, and the provisions of Article XVII. The conclusion reached by the majority of the Working Party, however, was in general to retain the present structure of the Agreement with respect to state trading. It has, however, proposed certain amendments, and an addition to Article XVII as indicated below.

Interpretative Note to Article II:4

26. The Working Party undertook to re-draft the existing interpretative note to paragraph 4 of Article II, both so as to eliminate the cross reference to the Havana Charter and so as to clarify the meaning of that note. In the preparation of a new interpretative note the Working Party was faced with the difficulty that the existing note, while referring to Article 31 of the Havana Charter, obviously was not intended to incorporate all of the provisions of that Article. Article 31 contained an obligation to negotiate that is not pertinent to the provisions of Article II:4 of the Agreement. In view of this difficulty, the Working Party were convinced that it would be impossible to obtain general agreement on the precise meaning of the present interpretative note. They therefore considered that the best course was to draft a note which would preserve as much of the language of Article 31 as appeared to be pertinent, and which would provide a reasonable rule for the application of the provisions of Article II:4. In the proposed interpretative note, containing the substance of paragraphs 2(a) and (b) and paragraph 4 of Article 31 of the Havana Charter, they believe that they have produced such a rule and one that is consistent with the obligations of contracting parties with respect to private trade.

Article XVII

27. The Working Party considered a proposal submitted by the Danish delegation designed to apply to protection afforded through state monopolies the same principles with respect to negotiations as those that have been recommended for negotiation of tariffs. As a result of this consideration, the Working Party has recommended the insertion of a new paragraph 3 in Article XVII and an interpretative note to that new paragraph.

28. The Working Party also considered proposals designed to provide the CONTRACTING PARTIES with information concerning state monopolies conducted by individual contracting parties and for the submission of pertinent information concerning those monopolies upon request. Accordingly, the Working Party has recommended the addition of a new paragraph 4 to Article XVII and an interpretative note to sub-paragraph (b) of that paragraph.

29. The Working Party was unable to accept the Italian proposal to exempt monopolies of a fiscal, social or cultural nature from the new provisions. The Italian delegation declared that, in the circumstances, it had to reserve its position in respect of the new provisions which were to be included in Article XVII.

(b) Surplus disposal

30. The Working Party considered an Australian proposal for a new article (W.9/78) which contained a set of rules for consultations with a view to reaching agreement between contracting parties prior to the disposal of surplus products, so as to avoid unnecessarily harmful disturbance to the markets of such products. Furthermore, attention was devoted to a number of statements of various delegates, made during earlier meetings of the Working Party.

31. A majority in the Working Party was in favour of an inclusion in the General Agreement of a new article governing the disposal of agricultural surplus commodities. However, the delegate for the United States, referring to the statement he made in the Working Party (W.9/117) explained that his Government, while being fully prepared to consult, would not be in a position to agree to formal commitments in the General Agreement.

32. Since it seemed impossible to reach a unanimous agreement which, in view of the position of the United States in this matter was considered to be of paramount importance, the majority agreed that the best solution would be to formulate a draft Resolution to be submitted for approval by the CONTRACTING PARTIES relating to the orderly disposal of agricultural surpluses. This draft Resolution is attached as Annex II. The representative of Denmark reserved the position of his Government on this resolution.

33. The Working Party wishes to call attention to the fact that the disposal of agricultural surpluses may have harmful effects not only for producers of the product being disposed of, but also for producers of other products. They felt, however, that special reference to this fact was not necessary in the resolution as the terms of the resolution appear to be broad enough to cover the case.

34. The Working Party agreed that, where arrangements for the disposal of a surplus involved an agreement by the recipient contracting party to supply other goods to a third contracting party, the terms of the resolution applied to all types of transaction involved.

35. The Working Party had its attention drawn to the document entitled "Disposal of Agricultural Surpluses" prepared by the Food and Agriculture Organization of the United Nations, setting out principles, recommended by the Council of FAO, regarding the disposal of surplus commodities. The Working Party suggests that these principles would be useful to contracting parties engaged from time to time in consultations with respect to the disposal of surpluses.

(c) Liquidation of non-commercial stocks

36. The Working Party gave considerable attention to this subject, but at the time of this report had been unable to reach agreement thereon; since there is some possibility of settlement of the question promptly, the Working Party proposes to issue a supplementary report on this subject.

(d) General Exceptions - Article XX

37. The Working Party considered various proposals for amending the general exceptions. In this connexion, it gave particular attention to Section II of the exceptions which were originally adopted to take care of temporary situations arising out of the war. It was finally agreed, however, that the substance of paragraph (a) of Section II should be retained for the time being. It is recommended that it be included in the Article with a provision for review not later than 30 June 1960.

38. With the above exception, the Working Party decided to recommend the elimination of Section II. The representative of Chile, however, reserved the position of his Government with respect to the elimination of paragraph (c), pending a final resolution of the problem of disposal of non-commercial stocks. The United States and Australian representatives also reserved their positions with respect to the deletion of this sub-paragraph.

39. In connexion with the proposed suppression of Section II of Article XX, one member of the Working Party made the point that the need for the exception in Section II(b) was not limited to shortages subsequent to the war, but might be needed in the event of a natural catastrophe. The Working Party considered, however, that other provisions of the Agreement were adequate to cover the application of restrictions when required by any natural catastrophe, and therefore did not consider it necessary to retain or amend the exception in Section II(b).

40. The Working Party did not deal with the problem of sub-paragraph (h) of Section I, as this had been referred to Working Party IV and a proposal for its amendment has been adopted by that Working Party and recommended to the CONTRACTING PARTIES.

ANNEX I

TEXT OF PROPOSED AMENDMENTS

I. Countervailing and Anti-Dumping Duties: Article VI

A. The text of paragraph 6 of Article VI shall read as follows:

- "(a) No contracting party shall levy any anti-dumping or countervailing duty on the importation of any product of the territory of another contracting party 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.
- "(b) The CONTRACTING PARTIES may waive the requirement of sub-paragraph (a) of this paragraph so as to permit a contracting party 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 the territory of another contracting party exporting the product concerned to the territory of the importing contracting party. The CONTRACTING PARTIES shall waive the requirements of sub-paragraph (a) of this paragraph, so as to permit the levying of countervailing duties, in cases in which they find that a subsidy is causing or threatening material injury to an industry in the territory of another contracting party exporting the product concerned to the territory of the importing contracting party.
- "(c) Notwithstanding the provisions of sub-paragraph (a) of this paragraph, in exceptional circumstances, where delay might cause damage which would be difficult to repair, a contracting party may levy a countervailing duty for the purpose referred to in sub-paragraph (b) of this paragraph without the prior approval of the CONTRACTING PARTIES: Provided that such action shall be reported immediately to the CONTRACTING PARTIES and the countervailing duty shall be withdrawn promptly if the CONTRACTING PARTIES disapprove."

B. The interpretative notes to Article VI shall be amended by the addition of the following text:

Paragraph 1:

"It is recognized that in the case of imports from a country which has a complete or substantially complete monopoly of its trade and where all domestic prices are fixed by the State, special difficulties may exist in determining price comparability for the purpose of this paragraph, and in such cases importing countries may find it necessary to take into account the possibility that a strict comparison with domestic prices in such a country may not always be appropriate."

II. Subsidies: Article XVI

Article XVI shall be amended as follows:

A. The text of the present Article shall become paragraph 1 and shall be preceded by the sub-title:

"A - Subsidies"

B. The following text shall be added:

"B - Additional Provisions on Export Subsidies"

- "2. The CONTRACTING PARTIES recognize that the granting by a contracting party of a subsidy on the export of any product may have harmful effects for other contracting parties, both importing and exporting, cause undue disturbance to their normal commercial interests and may hinder the achievement of the objectives of this Agreement.
- "3. Accordingly, contracting parties should seek to avoid the use of subsidies on the export of primary products. If, however, a contracting party grants directly or indirectly any form of subsidy which operates to increase the export of any primary product from its territory, such subsidy shall not be applied in a manner which results in that contracting party having more than an equitable share of world export trade in that product, account being taken of the shares of the contracting parties in such trade in the product during a previous representative period, and any special factors which may have affected or may be effecting such trade in the product.

- *4. Furthermore, no contracting party shall grant directly or indirectly any form of subsidy on the export of any product other than a primary product which subsidy results in the sale of such product for export at a price lower than the comparable price charged for the like product to buyers in the domestic market. Subject to the provisions of paragraph 5(b) below, contracting parties shall give effect to the provisions of this paragraph at the earliest practicable date but not later than 1 January 1958.
- *5. (a) No contracting party shall extend the scope of any subsidization of the kind described in paragraph 4 beyond the scope existing on 1 January 1955, by the introduction of new or the extension of existing subsidies.
- (b) If any contracting party considers itself unable to give effect to the provisions of paragraph 4 in respect of any particular product or products by 1 January 1958 it shall, not later than 1 October 1957, give notice in writing to the CONTRACTING PARTIES. Such notice shall be accompanied by a full analysis of the subsidies in question and the circumstances justifying them. The CONTRACTING PARTIES shall thereupon decide whether any temporary adjustments should appropriately be made in the application to the contracting party of the provisions of paragraph 4. In reaching their decision the CONTRACTING PARTIES shall give due consideration to the needs of economic development and to any special problems of a temporary nature of the contracting party and also to any injury that might be caused to the trade of other contracting parties.
- *6. The CONTRACTING PARTIES shall review the operation of the provisions of this Article from time to time with a view to examining its effectiveness, in the light of actual experience, in promoting the objectives of this Agreement and avoiding subsidization seriously prejudicial to the trade or interests of contracting parties."

C. The following text shall be added to the interpretative notes:

"Id Article XVI

*Part B

- *1. The exemption of an exported product from duties or taxes borne by the like product when destined for domestic consumption, or the remission of such duties or taxes in amounts not in excess of those which have accrued, shall not be deemed to be a subsidy.
- *2. Nothing in this Article shall preclude the use by a contracting party of multiple rates of exchange in accordance with the Articles of Agreement of the International Monetary Fund.
- *3. For the purpose of this Article, a "primary product" is any product of farm, forest or fishery, or any mineral in its natural form, or which has undergone such processing as is customarily required to prepare it for marketing in substantial volume in international trade.

*Paragraph 3

- "1. The fact that a contracting party has not had a previous export history in a product would not in itself deprive that country from establishing its right to obtain a share of the trade in the product concerned.
- "2. A system for the stabilization of the domestic price or of the return to domestic producers of a primary product 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 exports within the meaning of paragraph 3 of this Article if the CONTRACTING PARTIES determine 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 contracting parties.

Notwithstanding such determination by the CONTRACTING PARTIES, operations under such a system shall be subject to the provisions of paragraph 3 of this Article where they are wholly or partly financed out of government funds in addition to the funds collected from producers in respect of the product concerned."

III. State Trading: Article II:4 and Article XVII

- A. The interpretative note to paragraph 4 of Article II shall be deleted and replaced by the following text:

"The provisions of this paragraph will be applied in the light of the following:

- "1. The protection afforded through the operation of an import monopoly in respect of products described in the appropriate schedule shall be limited by means of:
 - (a) a maximum import duty that may be applied in respect of the product concerned; or
 - (b) any other mutually satisfactory arrangement consistent with the provisions of this Agreement; any contracting party entering into negotiations with a view to concluding such arrangement shall afford to other interested contracting parties an opportunity for consultation.

¹ The South African representative reserved his position on this paragraph pending instructions from his Government.

"2. The import duty mentioned in 1(e) above shall represent the margin by which the price charged by the import monopoly for the imported product (exclusive of internal taxes conforming to the provisions of Article III, transportation, distribution, and other expenses incident to the purchase, sale or further processing, and a reasonable margin of profit) exceeds 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, provisions may be made for adjustment to take account of wide fluctuations or variations in world prices, subject to agreement between the countries parties to the negotiations."

B. The title of Article XVII shall be amended to read: State Trading Enterprises.

C. The text of Article XVII shall be amended by the addition of the following paragraphs:

"3. The contracting parties recognize that enterprises of the kind described in paragraph 1(a) might be operated so as to create serious obstacles to trade; thus negotiations on a reciprocal and mutually advantageous basis designed to limit or reduce such obstacles are of importance to the expansion of international trade."

"4(a) Contracting parties shall notify the CONTRACTING PARTIES of the products which are imported into or exported from their territories by enterprises of the kind described in paragraph 1(a).

(b) A contracting party establishing, maintaining or authorizing an import monopoly of a product, which is not the subject of a concession under Article II, shall, on the request of another contracting party having a substantial trade in the product concerned, inform the CONTRACTING PARTIES of the import mark-up on the product during a recent representative period, or, when it is not possible to do so, of the price charged on the resale of the product.

(c) The CONTRACTING PARTIES may, at the request of a contracting party which has reason to believe that its interests under this Agreement are being adversely affected by the operations of an enterprise of the kind described in paragraph 1(a), request the contracting party establishing, maintaining or authorizing such enterprise to supply information about its operations related to the carrying out of the provisions of this Agreement.

(d) The provisions of this paragraph shall not require any contracting party to disclose confidential information which would impede law enforcement or otherwise be contrary to the public interest or would prejudice the legitimate commercial interests of particular enterprises."

D. The interpretative notes to Article XVII shall be amended by the addition of the following texts:

Paragraph 3:

"Negotiations which contracting parties agree to conduct under this paragraph may be directed towards the reduction of duties and other charges on imports and exports or towards the conclusion of any other mutually satisfactory arrangement consistent with the provisions of this Agreement. (See paragraph 4 of Article II and the interpretative note to that paragraph.)"

Paragraph 4(b):

"The term "import mark-up" in this paragraph shall represent the margin by which the price charged by the import monopoly for the imported product (exclusive of internal taxes conforming to the provisions of Article III, transportation, distribution, and other expenses incident to the purchase, sale or further processing, and a reasonable margin of profit) exceeds the landed cost."

IV. Article XX

A. Part II of Article XX shall be deleted, and the numeral I shall be deleted from the heading to the remaining text.

B. The following sub-paragraph shall be added at the end of Article XX:

"(j) essential to the acquisition or distribution of products in general or local short supply, provided that any such measures shall be consistent with the principle that all contracting parties are entitled to an equitable share of the international supply of such products, and that any such measures, which are inconsistent with the other provisions of this Agreement shall be discontinued as soon as the conditions giving rise to them have ceased to exist. The CONTRACTING PARTIES shall review the need for this paragraph not later than 30 June 1960."

ANNEX II

DRAFT RESOLUTION ON THE DISPOSAL OF SURPLUSES

"RECOGNIZING

- "1. That surpluses of agricultural products may be expected to arise from time to time in the territories of certain contracting parties,
- "2. That the disposal for export of such surpluses without adequate regard to the effect on the normal commercial trade of other contracting parties could cause serious damage to their interests by restricting markets for their regular competitive exports and by disrupting market prices,
- "3. That the disturbing effects of such disposals can be substantially diminished, and that the risk of injury can be minimized, if interested contracting parties consult with respect to the disposal of such surpluses,

" NOTING

"That the contracting parties hereby express their intention to liquidate any agricultural surpluses they may hold in such a way as to avoid unduly provoking disturbances on the world market that would adversely influence other contracting parties,

" The CONTRACTING PARTIES

" CONSIDER

That when arranging the disposal of surplus agricultural products in world trade contracting parties should undertake a procedure of consultation with the principal suppliers of those products and other interested contracting parties, which would contribute to the orderly liquidation of such surpluses, including where practicable disposals designed to expand consumption of the products, and to the avoidance of prejudice to the interests of other contracting parties, and that they give sympathetic consideration to the views expressed by other contracting parties in the course of such consultations."

