

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

W.9/78

8 December 1954

Special Distribution

CONTRACTING PARTIES
Ninth Session

Original: English

Review Working Party III on Barriers
to Trade other than Restrictions
or Tariffs

LIQUIDATION OF SURPLUS STOCKS

The Australian delegation suggests that Article XX II(c) be replaced by a new Article and proposes the following for examination in conjunction with the statement on the Disposal of Surpluses by the Australian delegation (W.9/50) and the proposal by the Chilean Government on the Liquidation of Non-Commercial Stocks (L/272/Add.1).

PROPOSED NEW ARTICLE

"1. Where a contracting party wishes to liquidate, or to reduce, by disposal to any other country /or an international organization/stocks of any product, arising from whatever cause, which are or may be reasonably expected to be in excess of domestic requirements, adequate carry-over and normal commercial exports, it shall carry out such disposal in the following manner in order to avoid unnecessarily harmful disturbance to world markets for the product concerned:-

- (a) Such contracting party shall notify the principal suppliers of the product to each of the destinations where such disposals are contemplated its general intentions in regard to quantities, the period over which such disposals are expected to take place and the general terms and conditions of such disposals.
- (b) At the request of any country so notified, the contracting party proposing the disposal shall consult with the principal suppliers of the product, and if appropriate with the country or countries of destination, with the object of reaching agreement on the arrangements for the disposal of such product. Such arrangements should be designed to ensure that the disposals result in an increase in consumption of that product.

- (c) Details of any such agreement must be lodged with the CONTRACTING PARTIES within () days. The CONTRACTING PARTIES, at the request of any contracting party whose interests it considers to be seriously prejudiced or seriously threatened by the agreement, shall invite the contracting parties who are parties to the agreement to enter into consultations within a prescribed time to discuss any aspect of the agreement.
- (d) If the countries notified under sub-section (a) above fail to consult or reach agreement within () days of notification of the proposal by the exporting country, the latter may then export the product affected, provided that within () days of export it shall notify the CONTRACTING PARTIES in writing of the terms and conditions of the disposal, of the estimated effect of the disposal upon the quantity and price of the like product exported by other contracting parties to the country or countries of destination, and of the circumstances making the disposal necessary.
- (e) In the event of a dispute as to whether or not serious prejudice to the interests of a contracting party is caused or threatened by the disposal, the CONTRACTING PARTIES shall be guided by the criteria laid down in paragraph of Article .

(It is assumed that if criteria are laid down to establish whether or not an export subsidy is being applied in such a way as to acquire or maintain more than an equitable share of world trade in a commodity or to prejudice seriously the interests of other contracting parties, those same criteria should be used for the purpose of sub-section (e)).

"2. The provisions of this Article shall apply to disposals from surplus stocks whether or not they are subsidized within the meaning of Article (), but if they are subsidized they shall be subject also to the provisions of that Article.

(The cross-reference here should be to the Article or Articles dealing with subsidies.)"

SUGGESTED INTERPRETATIVE NOTE

"Since the object of this Article is to provide for a workable procedure for prior consultation between the country proposing to make disposals of surpluses and countries whose normal exports may be affected by such disposals, it is recognized that the provisions in sub-sections (a) and (b) may in many cases be adequately complied with by a notification of and consultation about a programme of proposed disposal operations. Day to day disposals would not need to be the subject of further consultation if they were in accordance with a programme that has been the subject of agreement."