

special exchange agreement with the International Trade Organization. It is intended that such an agreement would parallel the provisions of the Articles of Agreement of the Fund relating to exchange control and exchange rates, but would not be more restrictive than those provisions.

SECTION C.—SUBSIDIES. (Articles 25–29)

The general intention of the Section on subsidies is to give Members whose interests are prejudiced by subsidization the right to a full international consideration of their case, to oblige subsidizing Members to participate in such consideration, and to provide for limiting subsidization so that its prejudicial effects may be reduced.

A Member employing subsidies is not required to seek the prior approval of the Organization, but Article 25 provides that a Member must inform the Organization concerning such of its subsidies as operate to increase its exports or reduce its imports of any product. Other Members have a right of complaint and consultation, with a view to limiting subsidization when it is determined that serious prejudice to their interests is caused or threatened.

Article 26 looks towards the early elimination of export subsidies, which result in the sale of a product for export at a lower price than the comparable price charged to buyers on the domestic market. Whereas a subsidy to all producers of a product, irrespective of whether it is exported or not, would be subject only to the provisions of Article 25, an export subsidy of the type referred to in Article 26 is required to be eliminated within two years. An extension of this time limit can only be made by the Organization after a careful analysis of the situation.

Article 27 provides an exemption from this rule in the case of stabilization schemes for primary products. Such schemes may at times result in the price to buyers on the domestic market being higher than the export price, and at times the reverse. This is permitted, provided the interests of other Members are not seriously prejudiced. If serious difficulties occur concerning a primary commodity, the negotiation of a commodity agreement might be the best solution, and provision is made for following that course of action where practicable. If such a commodity agreement is unsuccessful, the Organization may in some circumstances permit the re-application of an export subsidy.

Article 28 provides that, in the exceptional cases in which export subsidies are permitted to be retained, such subsidies shall not be used to “pirate” markets by increasing a Member’s share of world trade in a product above such share in a previous representative period.

Article 29 is purely procedural.