

2. The provisions of this Agreement shall not be construed to prevent—

(a) Advantages accorded by any contracting party to adjacent countries in order to facilitate frontier traffic :

(b) The formation of a Customs union or the adoption of an interim agreement necessary for the attainment of a Customs union : Provided that the duties and other regulations of commerce imposed by, or any margin of preference maintained by, any such union or agreement in respect of trade with other contracting parties shall not on the whole be higher or more stringent than the average level of the duties and regulations of commerce or margins of preference applicable in the constituent territories prior to the formation of such union or the adoption of such agreement ; and provided further that any such interim agreement shall include a definite plan and schedule for the attainment of such a customs union within a reasonable length of time.

3. (a) Any contracting party proposing to enter into a Customs union shall consult with the CONTRACTING PARTIES and shall make available to them such information regarding the proposed union as will enable them to make such reports and recommendations to contracting parties as may be deemed appropriate.

(b) No contracting party shall institute or maintain any interim agreement under the provisions of paragraph 2 (b) of this Article if, after a study of the plan and schedule proposed in such agreement, the CONTRACTING PARTIES find that such agreement is not likely to result in such a Customs union within a reasonable length of time.

(c) The plan or schedule shall not be substantially altered without consultation with the CONTRACTING PARTIES.

4. For the purposes of this Article 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. A Customs union shall be understood to mean the substitution of a single Customs territory for two or more Customs territories, so that all tariffs and other restrictive regulations of commerce as between the territories of members of the union are substantially eliminated and substantially the same tariffs 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.

5. Taking into account the exceptional circumstances arising out of the establishment of India and Pakistan as independent States and recognizing the fact that they have long constituted an economic unit, the contracting parties agree that the provisions of this Agreement shall not prevent the two countries from entering into special arrangements with respect to the trade between them, pending the establishment of their mutual trade relations on a definitive basis.

6. Each contracting party shall take such reasonable measures as may be available to it to assure observance of the provisions of this Agreement by the regional and local governments and authorities within its territory.