

and convertibility of currencies. In order that such Members may not be free to frustrate the operation of I.T.O. rules relating to trade controls by resorting to exchange practices which have equivalent effect, it is provided that if they do not become Members of the Fund they shall enter into a special exchange agreement with the I.T.O. Such agreements shall provide to the satisfaction of the Organization that the objectives of the Charter will not be frustrated by a Member's action in exchange matters, but the obligations thereby imposed on Members shall not be more restrictive than those imposed by the Articles of Agreement of the I.M.F.

Paragraph 6 (*d*) covers the special circumstances of a country such as Liberia, which is not a member of the I.M.F. and which uses United States currency only, and exempts it from having to enter into a special exchange agreement, as neither country at present maintains exchange restrictions.

Members of I.T.O. who do not belong to I.M.F. will supply to the Organization information relating to such matters as monetary reserves, gold production and trade, exports and imports, balance of payments, exchange rates, exchange controls, and national income, which in the case of Fund members is supplied to the Fund and thus available to I.T.O. (paragraph 7). It is made clear that the rights of Members to adopt exchange controls under the rules of the I.M.F. are not in any way impaired by the provisions of Articles 20 to 24 of this Charter (paragraph 8 (*a*)), and may impose quantitative restrictions on exports or imports which are needed to make effective any exchange controls which it may be entitled to operate under the provisions of Articles VII, VIII, and XIV of the I.M.F. or under the analogous provisions of a special exchange agreement.

SECTION C.—SUBSIDIES

(Articles 25–28)

The practice of using subsidies as a means of assisting domestic industry by helping it to withstand competition from goods imported on a lower cost basis or to sell goods for export at prices lower than would otherwise be the case has been practised in varying degrees by certain countries. While subsidies have received some recognition as a legitimate form of protection in place of tariffs, against imports, their excessive use may have harmful effects on international trade. Export subsidies, however, are regarded as detrimental to international trade and are frowned upon.

The provisions in this Section are accordingly intended to afford protection to those Members whose interests in trade may be prejudiced through the granting by another Member of subsidies which operate either to increase exports by that Member or to reduce or prevent an increase in imports of any product by that Member.