

contemplated, it shall make recommendations to the parties, and they shall not maintain or put into force the agreement if they are not prepared to modify it as recommended.

Paragraph 4 defines Customs unions and free-trade areas respectively. A union necessitates elimination of duties and restrictive regulations with respect to substantially all the trade between the constituent territories, and substantially the same duties and other regulations are to be applied by each of the Members of the union to the trade territories not included in the union. In a free-trade area duties and other regulations of commerce must be eliminated on substantially all the trade originating in the constituent territories.

Paragraph 5 provides that tariff preferences referred to in paragraph 2 of Article 16 shall not be affected, but may be adjusted or eliminated by negotiations with Members affected.

Provision is made in paragraph 6 for the Organization by a two-thirds majority vote to approve of proposals for Customs unions or free-trade areas not fully conforming to the requirements laid down in the Article. This provision might, for example, cover an agreement which includes a non-Member of the Organization, *vide* paragraph 3 of Article 98.

Article 45: General Exceptions to Chapter IV

This Article contains a number of necessary general exceptions to the provisions of Chapter IV which may be applied in a non-discriminatory manner, provided their application does not constitute a hidden and unwarranted restriction of trade. They relate to public morals and safety; human, animal, or plant life and health; import and export of gold or silver; patents, trade-marks, and copyrights; prison-made goods; national treasures; conservation of exhaustible natural resources where the measures are made effective in conjunction with restrictions on domestic production or consumption; measures in connection with inter-governmental commodity agreements; and restrictions on exports of domestic materials to conserve supplies for domestic industries when domestic price levels of the materials are stabilized below world market levels.

Exceptions are also provided in respect of measures, applied in the post-war transitional period, relating to shortage in supplies, price-controls, and liquidation of stocks. Such measures must be removed, however, as soon as circumstances permit.

CHAPTER V.—RESTRICTIVE BUSINESS PRACTICES

(Articles 46-54)

Throughout the Charter runs an underlying philosophy that adoption by the State, or by any enterprise within its jurisdiction, of business practices which tend to restrict international trade is harmful and likely to retard the achievement of the objectives of the Charter.