

7. The provisions of this Article relating to most-favoured-nation treatment are not applicable neither can they be invoked with regard to the advantages:

- (a) granted by either of the Contracting Parties to a neighbouring State, for the purpose of facilitating frontier traffic;
- (b) granted by the Government of Portugal to Spain or Brazil;
- (c) granted by the Government of Portugal to the territories contiguous to her Overseas Provinces;
- (d) granted by the Canadian Government exclusively to member countries of the British Commonwealth of Nations, including their dependent territories, and to the Republic of Ireland.

#### ARTICLE II

Either Contracting Party shall accord to the products of the other Contracting Party, which have been in transit through the territory of any third country receiving most-favoured-nation treatment from the importing country, treatment no less favourable than that which would have been accorded to such products had they been transported from their place of origin to their destination without going through the territory of such third country. Either Contracting Party shall, however, be free to maintain its requirements of direct consignment existing on the date of the present Agreement in respect of any products in regard to which such direct consignment has relation to the Contracting Party's prescribed method of valuation for duty purposes.

#### ARTICLE III

1. No prohibitions or restrictions shall be maintained or applied by either Contracting Party on the importation of any product of the other Contracting Party unless such measures apply equally to the importation of the like product from any other country. No prohibitions or restrictions shall be maintained or applied to the exportation of any product from the territories of either Contracting Party to the territories of the other unless such measures apply equally to the exportation of like goods to any other country.

The only exceptions to this general rule shall be those that may be provided in legislation regarding essential security interests or regarding protection to the health of human beings, animals and plants.

2. In all matters relating to the allocation of foreign exchange, and to the administration of foreign exchange restrictions, affecting transactions involving the importation and exportation of products, each Contracting Party shall accord to the other Contracting Party unconditional most-favoured-nation treatment.

3. Both Contracting Parties recognize that the existence of balance of payments difficulties in many countries and the widespread inconvertibility of currencies, do not permit the immediate and full achievement of non-discriminatory application of trade and exchange restrictions affecting imports. Accordingly, notwithstanding the provisions of the present Agreement, either Contracting Party may, in the application of such trade and exchange restrictions affecting imports for the purpose of safeguarding its external financial position and balance of payments, temporarily deviate from the provisions of Paragraphs 1 and 2 of this Article, provided that:

- (a) it always keeps in view that such restrictions shall be applied in such a way as to avoid any unnecessary damage to the economic or commercial interests of the other Contracting Party;