

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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## REVIEW OF THE GENERAL AGREEMENT

### Proposals by the Government of the Union of South Africa

The following amendments are suggested -

- a. the inclusion of additional provisions in Article XIV:1 with a view to limiting the conclusion of bilateral barter and quota agreements;
- b. the inclusion of additional provisions in Article XVI with a view to prohibiting the use of export subsidies.

In the GATT Articles quoted below the words in square brackets represent deletions from, and those underlined additions to, the existing text of the Agreement.

### Discrimination and bilateral treaties

With a view to limiting the right of contracting parties to discriminate in the application of quantitative import restrictions, and placing some curb on the conclusion by them of bilateral barter and quota agreements, it is suggested that the following new sub-paragraphs be inserted between sub-paragraph (e) and (f) of Article XIV:1:

- "(f) A contracting party taking action under sub-paragraphs (b) or (c) of this paragraph or under Annex J shall not apply or maintain discriminatory quantitative restrictions on imports from another contracting party to an extent greater than is required
- (i) to forestall the imminent threat of, or to stop, a serious decline in its reserves of gold or foreign exchange available to pay for imports from that contracting party, or
  - (ii) in the case of a contracting party with very low reserves of gold or foreign exchange available to pay for imports from that contracting party, to achieve a reasonable rate of increase in such reserves.

- "(g) A contracting party taking action under sub-paragraphs (b) or (c) of this paragraph or under Annex J shall not apply quantitative restrictions on imports of any commodity or group of commodities from another contracting party which are substantially more severe than the restrictions applied by it on imports from a third country of the same or a similar commodity or group of commodities, where the monetary reserves of the contracting party available to pay for imports from such third country are also available to pay for imports from such other contracting party.
- "(h) No contracting party shall enter into any bilateral trade agreement providing for the admission of certain quantities or values of imports from the other party to such agreement, where the effects of such bilateral agreement is to cause a substantial deviation from the principles laid down in sub-paragraphs (f) and (g) of this paragraph."

#### Subsidies

In order to provide for the inclusion in GATT of more effective provisions regarding the use of export subsidies, it is suggested that Article XVI be amended as follows:

- "1. If any contracting party grants or maintains any subsidy, including any form of income or price support, which operates directly or indirectly to maintain or increase exports of any product from, or to reduce, or prevent an increase in, imports of any product into, its territory, /it/ the contracting party shall notify the CONTRACTING PARTIES in writing of the extent and nature of the subsidization, of the estimated effect of the subsidization on the quantity of the affected product or products imported into or exported from its territory and of the circumstances making the subsidization necessary. In any case in which /it is determined/ a contracting party considers that serious prejudice /to the interests of any other contracting party/ to its interests is caused or threatened by any such subsidization, the contracting party granting the subsidy shall, upon request, discuss with the other contracting party or parties concerned, or with the CONTRACTING PARTIES the possibility of limiting the subsidization.
- "2. No contracting party shall grant, directly or indirectly, any subsidy on the export of any product, or establish or maintain any other system, which subsidy or system results in the sale of such product for export at a price lower than the comparable price charged for the like product to buyers in the domestic market, due allowance being made for differences in the conditions and terms of sale, for differences in taxation, and for other differences affecting price comparability.

- "3. The exemption of exported products from duties or taxes imposed in respect of like products when consumed domestically, or the remission of such duties or taxes in amounts not in excess of those which have accrued, shall not be deemed to be in conflict with the provisions of paragraph 2 of this Article. The use of the proceeds of such duties or taxes to make payments to domestic producers in general of those products shall be considered as a case under paragraph 1 of this Article.
- "4. Notwithstanding the provisions of paragraph 2 of this Article, any contracting party may subsidize the exports of any product to the extent and for such time as may be necessary to offset a subsidy granted by a non-contracting party affecting the contracting party's exports of the product. However, the contracting party shall, upon the request of the CONTRACTING PARTIES or of any other contracting party which considers that its interests are seriously prejudiced by such action, consult with the CONTRACTING PARTIES or with that contracting party, as appropriate, with a view to reaching a satisfactory adjustment of the matter.
- "5. A system for the stabilization of the domestic price or of the return to domestic producers of a primary commodity, independently of the movements of export prices, which results at times in the sale of the commodity for export at a price lower than the comparable price charged for the like commodity to buyers in the domestic market, shall be considered not to involve a subsidy on export within the meaning of paragraph 2 of this Article if the CONTRACTING PARTIES determine that -
- (a) the system has also resulted, or is so designed as to result, in the sale of the commodity for export at a price higher than the comparable price charged for the like commodity to buyers in the domestic market; and
  - (b) the system is so operated, or is designed so to operate, either because of the effective regulation of production or otherwise as not to stimulate exports unduly or otherwise seriously prejudice the interests of other contracting parties."

