

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 proposals in this document replace those contained in document L/264.

A. Escape-clauses related to difficulties of the postwar transitional period.

The South African Government considers that world economic conditions have improved sufficiently since the General Agreement was negotiated to permit of the deletion from the Agreement of specific references to the difficulties of the postwar transitional period and the problems connected with the aftermath of the war.

In particular South Africa would suggest that the following sections, in which reference is made to the problems of the postwar transitional period, be now deleted from the Agreement:

- (i) Article XII:3(a)
- (ii) Article XIV:1(a)
- (iii) Article XIV:3(b)
- (iv) Article XX:II(b) and (c)

B. References in the General Agreement to the Havana Charter

Since it must now be accepted that the Havana Charter will never enter into force, South Africa would suggest that all references in the General Agreement to that document be deleted, and that the necessary consequential amendments be made to the Interpretative Notes.

C. 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 enter into bilateral trade agreements with another country under which quotas for the importation of particular commodities or groups of commodities from that country are established and which have the effect of restricting more severely the contracting party's imports of similar commodities or groups of commodities from a third country, where the monetary reserves available to the aforesaid contracting party for payment of its imports from the other party to such agreements are available also to pay for its imports from such other country.
- "(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 effect of such bilateral agreement is to cause a substantial deviation from the principles laid down in sub-paragraphs (f) and (g) of this paragraph."

D. 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. 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.
- "2. 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.

- "3. 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.
- "4. 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."