

GENERAL AGREEMENT ON TARIFFS AND TRADE

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ARTICLE VII, PARAGRAPH 4

Amendment proposed by the Canadian Delegation
Revision

(Document W.9/169 contained some errors)

The present provisions of Article VII, paragraph 4, do not cover all the situations which are likely to arise in practice when a contracting party is required for valuation purposes to convert into its own currency a price expressed in the currency of another country. The present paragraph covers three types of exchange situations:

- (i) the normal cases where there is an established par value accepted by the International Monetary Fund;
- (ii) where there is no established par value; and
- (iii) multiple currency practices.

These provisions do not cover certain other possible exchange situations. In the case of Canada there is an established par value accepted by the Fund, but which is no longer the effective rate, and where the Fund recognizes the fluctuating rate for its own accounting purposes.

While the present provisions have not interfered with the practices of governments in conforming to the realities of exchange situations in their valuation practices, it would seem desirable to modify these provisions to bring them up to date and to render them applicable to other existing exchange situations.

In the view of the Canadian delegation, the simplest method of achieving this end would be to amend Article VII, paragraphs 4(a) and 4(b) by the inclusion of the concept of rates of exchange recognized by the Fund. The following amendments of these two sub-paragraphs are hereby proposed:

"4(a) Except as otherwise provided for in this paragraph, where it is necessary for the purposes of paragraph 2 of this Article for a contracting party to convert into its own currency a price expressed in the currency of another country, the conversion rate of exchange to be used shall be based on the par values of the currencies involved, for each currency involved, on the par value as established pursuant

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to the Articles of Agreement of the International Monetary Fund or on the rate of exchange recognized by the Fund, or on the par value established in accordance with a /by/ special exchange agreement entered into pursuant to Article XV of this Agreement.

"(b) Where no such established par value /has been established/ and no such recognized rate of exchange exist, the conversion rate shall reflect effectively the current value of such currency in commercial transactions."