For purposes of legal drafting and with no view to change the substance of the text, the Legal and Drafting Committee has made certain changes which are underlined in the texts below. The language drafted by the Working Parties, or as it appears in the original text of the General Agreement, is given within square brackets and its deletion is suggested by the Committee. Those Articles not mentioned in this document, nor in addenda hereto, are intended to remain unchanged as they appear in the annexes to the working party reports, or in the General Agreement.

1. Article XXIII

2. If no satisfactory adjustment is effected between the contracting parties concerned within a reasonable time, or if the difficulty is of the type described in paragraph 1(c) of this Article, the matter may be referred to the CONTRACTING PARTIES. The CONTRACTING PARTIES shall promptly investigate any matter so referred to them and shall make appropriate recommendations to the contracting parties which they consider to be concerned, or give a ruling on the matter, as appropriate. The CONTRACTING PARTIES may consult with contracting parties, with the Economic and Social Council of the United Nations and with any appropriate inter-governmental organization in cases where they consider such consultation necessary. If the CONTRACTING PARTIES consider that the circumstances are serious enough to justify such action, they may authorize a contracting party or parties to suspend the application to any other contracting party or parties of such obligations or concessions or other obligations under this Agreement as they determine to be appropriate in the circumstances. If the application to any contracting party of any obligation or concession or other obligation is in fact suspended, that contracting party shall then be free, not later than sixty days after such action is taken to give written notice to the Executive Secretary to the CONTRACTING PARTIES to advise the Secretary-General of the United Nations in writing of its intention to withdraw from this Agreement and such withdrawal shall take effect upon the expiration of sixty days from the sixtieth day following the day on which such notice of such withdrawal is received by him.
2. **Article XXVIII** (see L/329, pages 20 - 22, paragraph M)

   The Committee recommends for approval the new text below as an alternate text of Article XXVIII appearing in L/329. Because of the numerous re-drafting changes, which have not altered the substance of the text given in L/329, it has been impossible to show the changes and deletions by under-lining them or placing them within square brackets; therefore, the Committee advises that the alternate text below be considered along with the text contained in L/329.

   **Article XXVIII**

   **Modification of Schedules**

   1. On 1 January 1958, and on the day after the expiration of successive periods following 31 December 1957 which shall each have a duration of three years from the expiration of the last preceding period (unless some other period has been specified by the CONTRACTING PARTIES by a two-thirds majority of the votes cast), a contracting party (hereafter in this Article referred to as the "applicant contracting party") may, by negotiation and agreement with any contracting party with which such concession was initially negotiated and with any other contracting party determined by the CONTRACTING PARTIES to have a principal supplying interest therein (which two preceding categories of contracting parties, together with the applicant contracting party, are hereafter in this Article referred to as the "contracting parties primarily concerned"), and subject to consultations with any other contracting party determined by the CONTRACTING PARTIES to have a substantial interest therein, modify or withdraw a concession included in the appropriate Schedule to this Agreement.

   2. In such negotiations and agreement, which may include provision for compensatory adjustment with respect to other products, contracting parties shall endeavour to maintain a general level of reciprocal and mutually advantageous concessions not less favourable to trade than that provided for in this Agreement prior to such negotiations.

   3. (a) If agreement cannot be reached between the contracting parties primarily concerned before 1 January 1958, or before the expiration of a period envisaged in paragraph 1, the applicant contracting party shall, nevertheless, be free to modify or withdraw the concession.

   (b) If the applicant contracting party acts pursuant to subparagraph (a), any other contracting party primarily concerned shall be free to modify or withdraw substantially equivalent concessions initially negotiated with the applicant contracting party.
(c) Whether agreement is reached pursuant to paragraphs 1 and 2, or whether the applicant contracting party acts pursuant to sub-paragraph (a) of this paragraph if any other contracting party determined by the CONTRACTING PARTIES to have a substantial interest is not satisfied, such other contracting party shall be free to modify or withdraw substantially equivalent concessions initially negotiated with the applicant contracting party.

4. (a) The CONTRACTING PARTIES may, at any time, in special circumstances, authorize an applicant contracting party to enter into negotiations for, and consultations regarding, the modification or withdrawal of a concession included in the appropriate schedule, and such negotiations and consultations shall be conducted in accordance with the provisions of paragraphs 1 and 2 of this Article.

(b) If, in such negotiations, agreement between the contracting parties primarily concerned is not reached within sixty days after the negotiations have been authorized, or within such longer period as the CONTRACTING PARTIES may have prescribed, the applicant contracting party may refer the matter to the CONTRACTING PARTIES, which shall promptly examine it and submit their views to the contracting parties primarily concerned with the aim of achieving a settlement. If no settlement is so reached, the applicant contracting party shall be free to modify or withdraw the concession, unless the CONTRACTING PARTIES determine that it has unreasonably failed to offer adequate compensation.

(c) If the applicant contracting party acts pursuant to the provisions of sub-paragraph (b) of this paragraph, the provisions of paragraph 3(b) of this Article shall be applicable. If agreement is reached on the negotiations provided for in sub-paragraph (a) of this paragraph the provisions of the second sentence of paragraph 3(b) shall be applicable.

The Legal and Drafting Committee has noted that a right of modification or withdrawal would be given to another substantially interested contracting party which has not been satisfied, both in the case of agreement between the contracting parties principally concerned without submission of the matter to the CONTRACTING PARTIES, and in the case of unilateral action by the applicant contracting party. However, no such right would be given if a substantially interested contracting party had not been satisfied with a settlement between the contracting parties primarily concerned following submission of the matter to the CONTRACTING PARTIES. If it is desired that such a right should be given, this could be accomplished by the insertion of the expression "or if a settlement is reached pursuant to the first sentence of sub-paragraph (b)," after the words "sub-paragraph (a) of this paragraph," in the second sentence of paragraph 4(c).
5. Before 1 January 1958, and before the termination of any period envisaged in paragraph 1, a contracting party may elect, by so notifying the CONTRACTING PARTIES, to reserve the right, for the duration of the next period, to modify the appropriate schedule otherwise in accordance with the procedures of paragraphs 1 to 3 of this Article. If a contracting party so elects, other contracting parties shall have the right, during the same period, to modify or withdraw, otherwise in accordance with the same procedures, any concession initially negotiated with that contracting party.

3. Notes to Article XXVIII (see L/329, pages 25 - 28, paragraph (x))

The following notes to Article XXVIII have been re-drafted in order that they correspond to the new alternate text of the Article given above. These notes contain in substance the contents of the notes appearing in L/329. Because of the consequential re-drafting of the notes in L/329, the alternate notes given below do not show the changes and deletions by underlining them or placing them within square brackets.

Ad Article XXVIII

The CONTRACTING PARTIES and each contracting party concerned should arrange to conduct the negotiations and consultations with the greatest possible secrecy in order to avoid premature disclosure of details of prospective tariff changes. The CONTRACTING PARTIES shall be informed immediately of all changes in national tariffs resulting from recourse to this Article.

Paragraph 1

Note 1. If the CONTRACTING PARTIES specify a period other than a three-year period, a contracting party may act pursuant to paragraph 1 or paragraph 3 of Article XXVIII on the day following the expiration of such other period and, unless the CONTRACTING PARTIES have again specified another period, subsequent periods will be three-year periods following the expiration of such specified period.

Note 2. The provision that on 1 January 1958, and on other days determined pursuant to paragraph 1, a contracting party "may ... modify or withdraw a concession" means that on such day, and on the day after the end of each period, the legal obligation of such contracting party under Article III is altered; it does not mean that the changes in its customs tariff should necessarily be made effective on that day. If a tariff change resulting from negotiations undertaken pursuant to this Article is delayed, the entry into force of any compensatory concessions may be similarly delayed.

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1 Former Article II
Note 3. Not earlier than six months, or later than three months, prior to 1 January 1958, or prior to any other day determined pursuant to paragraph 1, an applicant contracting party should notify the CONTRACTING PARTIES of any modification or withdrawal which it desires to make. The CONTRACTING PARTIES shall then determine the contracting party or contracting parties with which the negotiations or consultations referred to in this paragraph shall take place. Any contracting party so determined shall participate in such negotiations or consultations with the applicant contracting party with the aim of reaching agreement before 1 January 1959, or before any other day determined pursuant to paragraph 1. After a contracting party has taken action pursuant to paragraph 1 or 3, the obligations of such contracting party under Article III shall relate to the appropriate schedule as modified by such action. If the CONTRACTING PARTIES are arranging for multilateral tariff negotiations to take place within the period of six months before 1 January 1958, or before any other day determined pursuant to paragraph 1, they shall include in the arrangements for such negotiations suitable procedures for carrying out the negotiations referred to in this paragraph.

Note 4. The object of providing for the participation in the negotiations of any contracting party with a principal supplying interest, in addition to any contracting party with which the concession was initially negotiated, is to ensure that a contracting party with a larger share in the trade affected by the concession than a contracting party with which the concession was initially negotiated shall have an effective opportunity to protect the contractual right which it enjoys under this Agreement. On the other hand, it is not intended that the scope of the negotiations should be such as to make negotiations and agreement under Article XXVIII unduly difficult nor to create complications in the application of this Article in the future to concessions which result from negotiations thereunder. Accordingly, the CONTRACTING PARTIES should only determine that a contracting party has a principal supplying interest if that contracting party has had, over a reasonable period of time prior to the negotiations, a larger share in the market of the applicant contracting party than a contracting party with which the concession was initially negotiated or would, in the judgment of the CONTRACTING PARTIES, have had such a share in the absence of discriminatory quantitative restrictions maintained by the applicant contracting party. It would therefore not be appropriate for the CONTRACTING PARTIES to determine that more than one contracting party, or in those exceptional cases where there is near equality more than two contracting parties, had a principal supplying interest.

Note 5. Notwithstanding the definition of a principal supplying interest in Note 4 to paragraph 1, the CONTRACTING PARTIES may exceptionally determine that a contracting party has a principal supplying interest if the concession in question affects trade which constitutes a major part of the total exports of such contracting party.

1 Former Article II.
Note 6. It is not intended that provision for participation in the negotiations of any contracting party with a principal supplying interest, and for consultation with any contracting party having a substantial interest in the concession which the applicant contracting party is seeking to modify or withdraw, should have the effect that it should have to pay compensation or suffer retaliation greater than the withdrawal or modification sought, judged in the light of the conditions of trade at the time of the proposed withdrawal or modification, making allowance for any discriminatory quantitative restrictions maintained by the applicant contracting party.

Note 7. The expression "substantial interest" is not capable of a precise definition and accordingly may present difficulties for the CONTRACTING PARTIES. It is, however, intended to be construed to cover only those contracting parties which have, or in the absence of discriminatory quantitative restrictions affecting their exports could reasonably be expected to have, a significant share in the market of the contracting party seeking to modify or withdraw the concessions.

Paragraph 3

A modification or withdrawal pursuant to this Article by a contracting party primarily concerned, other than an applicant contracting party, or by another contracting party having a substantial interest, shall be made within six months of the day on which the action is taken by the applicant contracting party, and shall become effective on the thirtieth day following the day on which such modification or withdrawal has been notified to the CONTRACTING PARTIES.

Paragraph 4

Note 1. Any request for authorization to enter into negotiations shall be accompanied by all relevant statistical and other data. A decision on such request shall be made within thirty days of its submission.

Note 2. It is recognized that to permit certain contracting parties, depending in large measure on a relatively small number of primary commodities and relying on the tariff as an important aid for furthering diversification of their economies or as an important source of revenue, normally to negotiate for the modification or withdrawal of concessions only under paragraph 1 of Article XXVIII, might cause them at such a time to make modifications or withdrawals which in the long run would prove unnecessary. To avoid such a situation the CONTRACTING PARTIES shall authorize any such contracting party, under paragraph 4 to enter into negotiations unless they consider this would result in, or contribute substantially towards, such an increase in tariff levels as to threaten the stability of the schedules to this Agreement or lead to undue disturbance of international trade.
Note 3. It is expected that negotiations authorized under paragraph 4 for modification or withdrawal of a single item or a very small group of items, could normally be brought to a conclusion in sixty days. It is recognized, however, that such a period will be inadequate for cases involving negotiations for the modification or withdrawal of a larger number of items and in such cases, therefore, it would be appropriate for the CONTRACTING PARTIES to prescribe a longer period.

Note 4. The determination referred to in paragraph 4(b) shall be made by the CONTRACTING PARTIES within thirty days of the submission of the matter to them, unless the applicant contracting party agrees to a longer period.

Note 5. In determining under paragraph 4(b) whether an applicant contracting party has unreasonably failed to offer adequate compensation, it is understood that the CONTRACTING PARTIES will take due account of the special position of a contracting party which has bound a high proportion of its tariffs at very low rates of duty and to this extent has less scope than other contracting parties to make compensatory adjustments.

4. Article XXIX - Tariff Negotiations (see L/329, pages 22 and 23, paragraph N, and page 28, paragraph (xi))

This Article should be new Article XXIX.

5. Note to Article XXIX (see L/329, page 28, paragraph (xi))

Ad Article XXIX

Paragraph 3

It is understood that the reference to fiscal needs would include the revenue aspect of duties and particularly duties imposed primarily for revenue purposes or duties related to such duties or duties imposed on products which can be substituted for products subject to revenue duties to prevent the avoidance of such duties.

6. Article XII (see L/332/Rev.1, pages 10 - 13, paragraph A)

Article XII

Restrictions to safeguard the Balance of Payments (Balance-of-Payments)

1. Notwithstanding the provisions of paragraph 1 of Article XI, any contracting party, in order to safeguard its external financial position and its balance of payments (balance-of-payments), may restrict the quantity or value of merchandise permitted to be imported, subject to the provisions of the following paragraphs of this Article.
2. (a) ... (no change)
   (i) ... (no change)
   (ii) ... (no change)

Due regard shall be paid in either case to any special factors which may be affecting the contracting party's reserves of such contracting party or its need for reserves, including, where special external credits or other resources are available to it, the need to provide for the appropriate use of such credits or resources.

(d) The contracting parties recognize that, as a result of domestic policies directed towards the achievement and maintenance of full and productive employment or towards the development of economic resources, a contracting party may experience a high level of demand for imports involving a threat to its monetary reserves of the sort referred to in paragraph 2(a) of this Article. Accordingly, a contracting party otherwise complying with the provisions of this Article shall not be required to withdraw or modify restrictions on the ground that a change in those policies would render unnecessary restrictions which it is applying under this Article.

4. (a) Any contracting party applying new restrictions or raising the general level of its existing restrictions by a substantial intensification of the measures applied under this Article shall immediately after instituting or intensifying such restrictions (or, in circumstances in which prior consultation is practicable, before doing so) consult with the CONTRACTING PARTIES as to the nature of its balance-of-payments difficulties, alternative corrective measures which may be available, and the possible effect of the restrictions on the economies of other contracting parties.

(b) On a date to be determined by the CONTRACTING PARTIES, the CONTRACTING PARTIES shall review all restrictions still applied under this Article on that date. Beginning one year after that date, contracting parties applying import restrictions under this Article shall enter into consultations of the type provided for in sub-paragraph (a) of this paragraph with the CONTRACTING PARTIES annually.

(ii) If, however, as a result of the consultations, the CONTRACTING PARTIES determine that the restrictions are being applied in a manner involving an inconsistency of a serious nature with the provisions of this Article or with those of Article XIII(subject to the provisions of Article XIV) and that damage to the trade of any contracting party is caused or threatened thereby, they shall so inform the contracting party applying the restrictions and shall make appropriate recommendations for securing conformity with such provisions within a specified period of time. If such contracting party does not comply with these recommendations within a specified
period, the CONTRACTING PARTIES may release any contracting party whose trade is adversely affected by the restrictions from such obligations under this Agreement towards the contracting party applying the restrictions as they determine to be appropriate in the circumstances.

(d) The CONTRACTING PARTIES shall invite any contracting party which is applying import restrictions under this Article to enter into consultations with them at the request of any contracting party which can establish a prima facie case that the restrictions are inconsistent with the provisions of this Article or with those of Article XIII (subject to the provisions of Article XIV) and that its trade is adversely affected thereby. However, no such invitation shall be issued unless the CONTRACTING PARTIES have ascertained that direct discussions between the contracting parties concerned have not been successful. If, as a result of the consultations with the CONTRACTING PARTIES, no agreement is reached and they determine that the restrictions are being applied inconsistently with provisions, and that damage to the trade of the contracting party initiating the procedure is caused or threatened thereby, they shall recommend the withdrawal or modification of the restrictions. If the restrictions are not withdrawn or modified within such time as the CONTRACTING PARTIES may prescribe, they may release the contracting party initiating the procedure from such obligations under this Agreement towards the contracting party applying the restrictions as they determine to be appropriate in the circumstances.

(e) In proceeding under this paragraph, the CONTRACTING PARTIES shall have due regard to any special external factors adversely affecting the export trade of the contracting party applying restrictions.

(f) Determinations under this paragraph shall be rendered expeditiously and, if possible within sixty days of the initiation of the consultations. The CONTRACTING PARTIES shall make provision for the utmost secrecy in the conduct of any consultation.

5. If there is a persistent and widespread application of import restrictions under this Article, indicating the existence of a general disequilibrium which is restricting international trade, the CONTRACTING PARTIES shall initiate discussions to consider whether other measures might be taken, either by those contracting parties whose balances of payments of which are under pressure or by those whose balances of payments of which are tending to be exceptionally favourable, or by any appropriate intergovernmental organization, to remove the underlying causes of the disequilibrium. On the invitation of the CONTRACTING PARTIES, contracting parties shall participate in such discussions.

\[1\] The Committee recommends this sentence be made a general Note to Article XII.
7. Notes to Article XII (see L/332/Rev.1, pages 13 - 15, paragraph D)

Ad Article XII

The CONTRACTING PARTIES shall make provision for the utmost secrecy in the conduct of any consultation under the provisions of this Article.

Paragraph 3(c)(1)

Contracting parties applying restrictions shall will endeavour to avoid causing serious prejudice to exports of a commodity on which the economy of a contracting party is largely dependent.

Paragraph 4(b)

It is agreed that the date shall be within ninety days of the entry into force of the amendments of this Article affected by the Protocol Modifying Parts II and III of this Agreement. However, should the CONTRACTING PARTIES find that conditions were not suitable for the application of the provisions of this sub-paragraph at the time envisaged, they may determine a later date provided that such date is not more than thirty days after such time as the obligations of Article VIII, Sections 2, 3 and 4 of the Articles of Agreement of the International Monetary Fund become applicable to contracting parties, members of the Fund, the whose combined foreign trade of which constitutes at least fifty per cent of the aggregate foreign trade of all contracting parties.

Paragraph 4(e)

It is agreed that paragraph 4(e) does not add any new criteria for the imposition or maintenance of quantitative restrictions for balance-of-payments reasons. It is solely intended to ensure that all external factors such as changes in the terms of trade, quantitative restrictions, excessive tariffs and subsidies, which may be contributing to the balance-of-payments difficulties of the contracting party applying restrictions will be fully taken into account.

8. Article XIV (see L/332/Rev.1, pages 13 and 14, paragraph B)

1. A contracting party which applies restrictions under Article XII or under Section 3 of Article XVIII may, in the application of such restrictions, deviate from the provisions of Article XIII in a manner having equivalent effect to restrictions on payments and...
and transfers for current international transactions which the contracting party may at that time apply under Articles VIII or XIV of the Articles of Agreement of the International Monetary Fund, or under analogous provisions of a special exchange agreement entered into pursuant to paragraph 6 of Article XV.

3. The provisions of Article XIII shall not preclude a group of territories having a common quota in the International Monetary Fund from applying against imports from other countries, but not among themselves, restrictions in accordance with the provisions of Article XII or of Section B of Article XVIII, on condition that such restrictions are in all other respects consistent with the provisions of Article XIII. Restrictions in accordance with the provisions of Article XII or of Section B of Article XVIII which are applied against imports from other countries, but not as among themselves, by a group of territories having a common quota in the International Monetary Fund, on condition that such restrictions are in all other respects consistent with the provisions of Article XIII.

9. Note to Article XIV (see L/332/Rev.1, page 15, paragraph E)

Paragraph 1

The provisions of this paragraph shall not be so construed as to preclude full consideration by the CONTRACTING PARTIES, in the consultations provided for in paragraph 4 of Article XII and in paragraph 12 of Article XVIII, of the nature, effects and reasons for discrimination in the field of import restrictions.