ARTICLE 17

Reduction of Tariffs and Elimination of Preferences

1. Each Member shall, upon the request of the Organization, any other Member or Members, and subject to procedural arrangements established by the Organization, enter into and carry out with such other Member or Members as the Organization may specify, negotiations directed to the substantial reduction of the general levels of tariffs and other charges on imports and exports, and to the elimination of the preferences referred to in paragraph 2 of Article 16, on a reciprocal and mutually advantageous basis. These negotiations shall proceed in accordance with the following rules:

2. The negotiations provided for in paragraph 1 shall proceed in accordance with the following rules:

(a) Such negotiations shall be conducted on a selective product-by-product basis which will afford an adequate opportunity to take into account the needs of individual countries and individual industries. Members shall be free not to grant concessions on particular products and, in the granting of a concession, they may either reduce the duty, bind it at its then existing level, or undertake not to raise it above a specified higher level.

(b) No Member shall be required to grant unilateral concessions, or to grant concessions to other Members without receiving adequate concessions in return. Account shall be taken of the value to any Member of obtaining in its own right and by direct obligation the indirect concessions which it would otherwise enjoy only by virtue of Article 16.

(c) In the negotiations relating to any specific product

(i) when a reduction is negotiated only in the most-favoured-nation rate, such reduction shall operate automatically to reduce or eliminate the margin of preference applicable to that product;

(ii) when a reduction is negotiated only in the preferential rate, the most-favoured-nation rate shall automatically be reduced to the extent of such reduction;
(iii) when it is agreed that reductions will be negotiated in both the most-favoured-nation rate and the preferential rate, the reduction in each shall be that agreed by the parties to the negotiations;

(iv) no margin of preference shall be increased.

(d) The binding against increase of low tariff duties or of tariff duty-free treatment shall in principle be recognized as a concession equivalent in value to the substantial reduction of high tariff duties or the elimination of tariff preferences.

Account shall be taken of any concession which either Member is already extending to the other Member by virtue of previous negotiations regarding tariffs and preferences pursuant to this Article.

(e) Prior international obligations shall not be invoked to frustrate the requirement under paragraph 1 of this Article to negotiate with respect to preferences, it being understood that agreements which result from such negotiations and which conflict with such obligations shall not require the modification or termination of such obligations except (i) with the consent of the parties to such obligations, or, in the absence of such consent, (ii) by modification or termination of such obligations in accordance with their terms.

The results of such negotiations shall be incorporated in the General Agreement on Tariffs and Trade, signed at on...1948 by agreement with the parties to that Agreement, and thereupon the parties to such negotiations shall become contracting parties to the General Agreement on Tariffs and Trade if they are not so already.

3. The negotiations leading to the General Agreement on Tariffs and Trade, concluded at Geneva on 30 October 1947, shall be deemed to be negotiations pursuant to this Article. The concessions agreed upon as a result of all other negotiations completed by a Member pursuant to this Article shall be incorporated in the General Agreement on terms to be agreed with the parties thereto. If any Member enters into any agreement relating to tariffs or preferences which is not concluded pursuant to this Article, the negotiations leading to such agreement shall nevertheless conform to the requirements of paragraph 2 (c) of this Article.

4. If any Member considers that any other Member has failed to fulfil its obligations under paragraph 1 of this Article, such Member may refer the matter to the Organization, which, after investigation, shall make appropriate recommendations to the Members concerned. If the
Organization finds that a Member has failed without sufficient justification, having regard to its economic position and the provisions of the Charter as a whole, having regard to all relevant circumstances, including the developmental and other needs and the fiscal structures of the Member countries concerned, and to the provisions of the Charter as a whole, to carry out negotiations within a reasonable period of time in accordance with the requirements provisions of paragraphs 1 and 2 of this Article, the Organization may determine that any waive the requirements of Article 16 to the general extent necessary to permit the complaining Member or Members shall, notwithstanding the provisions of Article 16, be entitled to withhold from the trade of the other Member any of the tariff benefits which may have been negotiated pursuant to paragraph 1 of this Article, and embodied in Part I of the General Agreement on Tariffs and Trade. If such benefits are in fact withheld, so as to result in the application to the trade of the other Member of tariffs higher than would otherwise have been applicable, such other Member shall then be free, within sixty days after such action is taken, to withdraw becomes effective, to give written notice of withdrawal from the Organization. The withdrawal shall take effect upon the expiration of sixty days from the date day on which written such notice of such withdrawal is received by the Organization.

INTERPRETATIVE NOTE TO SUB-PARAGRAPH 2 (d)

"In the event of the devaluation of a Member's currency, or of a rise in prices, the effects of such devaluation or rise in prices would be a matter for consideration during negotiations in order to determine, first, the change in the protective incidence of the specific duties, if any, of the Member concerned and, secondly, whether the binding of such specific duties represents in fact a concession equivalent in value to the substantial reduction of high duties or the elimination of tariff preferences."

NOTE: The text of paragraph 3 of the Geneva draft has not yet been agreed by the Sub-Committee, pending the Report of the Joint Working Party of Sub-Committee A of Committee III and the Sub-Committee of Committee VI on Article 81.