Article 16

General Most-favoured-nation Treatment

1. With respect to customs duties and charges of any kind imposed on or in connection with importation or exportation or imposed on the international transfer of payments for imports or exports, and with respect to the method of levying such duties and charges, and with respect to all rules and formalities in connection with importation and exportation, and with respect to all matters within the scope of paragraphs 2 and 4 of Article 18, any advantage, favour, privilege or immunity granted by any Member to any product originating in or destined for any other country shall be accorded immediately and unconditionally to the like product originating in or destined for all other Member countries respectively.

2. The provisions of paragraph 1 of this Article shall not require the elimination, except as provided in Article 17, of any preferences in respect of import duties or charges which do not exceed the margins provided for in paragraph 3 of this Article and which fall within the following descriptions:

(a) preferences in force exclusively between two or more of the territories listed in Annex A to this Charter, subject to the conditions set forth therein;
(b) preferences in force exclusively between two or more territories which on July 1, 1939 were connected by common sovereignty or relations of protection or suzerainty and which are listed in Annexes B, C, D and E of this Charter, subject to the conditions set forth therein;
(c) preferences in force exclusively between the United States of America and the Republic of Cuba;
(d) preferences in force exclusively between the Republic of the Philippines and the United States of America, including the dependent territories of the latter;

(e) preferences
(e) preferences in force exclusively between neighbouring countries listed in Annexes F, G, H, I and J [of this Charter].

3. The provisions of paragraph 1 [of this Article] shall not apply to preferences between countries named in Annex K [of this Charter], provided such preferences fulfil the applicable relevant requirements of Article 15.

4. The margin of preference on any product in respect of which a preference is permitted under paragraph 2 [of this Article] shall not exceed (a) the maximum margin provided for under the General Agreement on Tariffs and Trade or any subsequent operative agreement resulting from negotiations under Article 17, or (b) if not provided for under such agreements, the margin existing either on 10 April 1947 or on such any earlier date as may have been established for a Member as a basis for negotiating the General Agreement on Tariffs and Trade, at the option of such Member.

5. The imposition of a margin of tariff preference not in excess of the amount necessary to compensate for the elimination of a margin of preference in an internal tax existing on 10 April 1947 exclusively between two or more of the territories in respect of which preferential import duties or charges are permitted under paragraph 2, [of this Article] shall not be deemed to be contrary to the provisions of this Article, it being understood that any such margin of tariff preference shall be subject to the provisions of Article 17.

Interpretative Notes

Ad Article 16

Note 1

The term "margin of preference" means the absolute difference between the most-favoured-nation rate of duty and the preferential rate of duty for the like product, and not the proportionate relation between those rates. As examples:

1. If the most-favoured-nation rate were 36 per cent ad valorem and the preferential rate were 24 per cent ad valorem, the margin of preference would be 12 per cent ad valorem, and not one-third of the most-favoured-nation rate.

2. If the most-favoured-nation rate were 36 per cent ad valorem and the preferential rate were expressed as two-thirds of the most-favoured-nation rate, the margin of preference would be 12 per cent ad valorem.

3. If the most-favoured-nation rate were 2 francs per kilogram and the preferential rate were 1.50 francs per kilogram, the margin of preference would be 0.50 francs per kilogram.

/Note 2
The following kinds of customs action, taken in accordance with established uniform procedures, would not be contrary to the binding of margins of preference under paragraph 4:

(i) the re-application to an imported product of a tariff classification or rate of duty, properly applicable to such product, in cases in which the application of such classification or rate to such product was temporarily suspended or inoperative on April 10, 1947; and

(ii) the classification of a particular product under a tariff item other than that under which importations of that product were classified on April 10, 1947, in cases in which the tariff law clearly contemplates that such product may be classified under more than one tariff item.

ANNEXES PERTAINING TO PARAGRAPH 2 OF ARTICLE 16

ANNEX A

List of Territories Referred to in Paragraph 2 (a) of Article 16

United Kingdom of Great Britain and Northern Ireland
Dependent territories of the United Kingdom of Great Britain and Northern Ireland
Canada
Commonwealth of Australia
Dependent territories of the Commonwealth of Australia
New Zealand
Dependent territories of New Zealand
Union of South Africa including South West Africa
Ireland
India (as at April 10, 1947)
Newfoundland
Southern Rhodesia
Burma
Ceylon

Certain of the territories listed above have two or more preferential rates in force for certain products. Any such territory may, by agreement with the other Members which are principal suppliers of such products at the most-favoured-nation rate, substitute for such preferential rates a single preferential rate which shall not on the whole be less favourable to suppliers at the most-favoured-nation rate than the preferences in force prior to such substitution. /The preferential
The preferential arrangements referred to in paragraph 5 (b) of Article 23 are those existing in the United Kingdom on 10 April 1947, under contractual agreements with the Governments of Canada, Australia and New Zealand, in respect of chilled and frozen beef and veal, frozen mutton and lamb, chilled and frozen pork, and bacon. Without prejudice to any action taken under sub-paragraph (a) (x) of paragraph 1 (a) (x) of Article 43, negotiations shall be entered into when practicable among the countries substantially concerned or involved, in the manner provided for in Article 17, for the elimination of these arrangements or their replacement by tariff preferences. If after such negotiations have taken place a tariff preference is created or an existing tariff preference is increased to replace these arrangements such action shall not be considered to contravene the provisions of Article 16 or Article 17.

The film hire tax in force in New Zealand on 10 April 1947 shall, for the purposes of this Charter, be treated as a customs duty falling within Articles 16 and 17. The renters' film quota in force in New Zealand on 10 April 1947, shall for the purposes of this Charter be treated as a screen quota falling within under Article 19.

The Dominions of India and Pakistan have not been mentioned separately in the above list since they had not come into existence as such on the base date of 10 April 1947.

ANNEX B

List of Territories of the French Union Referred to in Paragraph 2 (b) of Article 16

France
French Equatorial Africa (Treaty Basin of the Congo* and other territories)
French West Africa
Cameroons under French Mandate*
French Somali Coast and Dependencies
French Establishments in India*
French Establishments in Oceania
French Establishments in the Condominium of the New Hebrides*
Guadeloupe and Dependencies
French Guiana
Indo-China
Madagascar and Dependencies
Morocco (French zone)*
Martinique

* For imports into Metropolitan France and territories of the French Union.
New Caledonia and Dependencies
Reunion
Saint-Pierre and Miquelon
Togo under French Mandate*
Tunisia

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List of Territories of the Customs Union of Belgium, Luxembourg and The Netherlands Referred to in Paragraph 2 (b) of Article 16

The Economic Union of Belgium and Luxembourg
Belgian Congo
Ruanda Urundi
The Netherlands
Netherlands Indies
Suriname
Curacao

For imports into the metropolitan territories of the Customs Union

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List of Territories of the United States of America Referred to in Paragraph 2 (b) of Article 16

United States of America (customs territory)
Dependent territories of the United States of America

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List of Portuguese Territories Referred to in Paragraph 2 (b) of Article 16

Portugal and the Archipelagoes of Madeira and the Azores
Archipelago of Cape Verde
Guinea
St. Tomé and Príncipe and Dependencies
S. João Batista do Ajudá
Cabinda
Angola
Mozambique
State of India and Dependencies
Macao and Dependencies
Timor and Dependencies

* For imports into Metropolitan France and Territories of the French Union
ANNEX F

List of Territories Covered by Preferential Arrangements Between Chile and Neighbouring Countries Referred to in Paragraph 2 (e) of Article 16

Preferences in force exclusively between, on the one hand, Chile and, on the other hand,
1. Argentina
2. Bolivia
3. Peru,
respectively.

ANNEX G

List of Territories Covered by Preferential Arrangements Between the Syro-Lebanese Customs Union and Neighbouring Countries Referred to in Paragraph 2 (e) of Article 16

Preferences in force exclusively between, on the one hand, the Syro-Lebanese Customs Union and, on the other hand,
1. Palestine
2. Transjordan,
respectively.

ANNEX H

List of Territories Covered by Preferential Arrangements Among Colombia, Ecuador and Venezuela Referred to in Paragraph 2 (e) of Article 16

Preferences in force exclusively between two or more of the following countries:
Colombia
Ecuador
Venezuela

Notwithstanding the provisions of Article 16, Venezuela may provisionally maintain the special surcharges which on 21 November 21, 1947 were levied on products imported via certain territories provided that such surcharges shall not be increased above the level in effect on that date and shall be eliminated not later than five years from the date of this Charter.
ANNEX I

List of Territories Covered by Preferential Arrangements Among the Republics of Central America Referred to in Paragraph 2 (e) of Article 16

Preferences in force exclusively between two or more of the following countries:

Costa Rica
El Salvador
Guatemala
Honduras
Nicaragua

ANNEX J

List of Territories Covered by Preferential Arrangements between Argentina and Neighbouring Countries Referred to in Paragraph 2 (e) of Article 16

Preferences in force exclusively between, on the one hand, Argentina

and, on the other hand,

1. Bolivia
2. Chile
3. Paraguay,

respectively.

ANNEX K

Preferences between the Countries formerly a part of the Ottoman Empire and Detached from it on 24 July 1923

(The list of countries will be inserted later.)