Article 16 (General Most-favoured-nation Treatment) sets out the general principle of most-favoured-nation treatment—*i.e.*, the principle of equal treatment with respect to Customs duties and charges, also rules and formalities relating to imports or exports. It requires that any advantage or privilege granted in respect of a product originating in or destined for another country shall be extended unconditionally to like products originating in or destined for other Member countries.

An exception from this rule is provided, however, for preferences which were in existence between Members of the British Commonwealth and between countries in certain other preferential areas as listed in annexes to the Charter. In such cases the margin of preference permitted to be retained for any product must not exceed the margin provided for under the General Agreement or, if it was not covered by such agreement, the margin existing on 10th April, 1947, or, should the Member prefer, on such earlier date as may have been established by the Member for negotiations under the General Agreement.

Special provision is made in Annex A respecting the preferential quota arrangements existing on 10th April, 1947, under agreements by the United Kingdom with Canada, Australia, and New Zealand covering imports of meat into the United Kingdom. Without prejudice to any inter-governmental commodity agreement which may be made, negotiations are to be entered into, when practicable, among the countries substantially concerned or involved with a view to elimination of such arrangements or to their replacement by tariff preferences. Any such negotiations shall be in the manner provided for in Article 17—that is, on a mutually advantageous basis. Provision is also made in the Annex to the effect that the preferential internal film-hire tax in force in New Zealand is to be treated as a Customs duty, and, as such, it will be subject to negotiations under Article 17.

The imposition of a margin of tariff preference to replace a margin of preference in an internal tax existing on 10th April, 1947, between the preferential areas referred to above is not deemed to constitute an increase in tariff preference.

The term "margin of preference" is defined to mean the absolute difference between the most-favoured-nation rate of duty and the preferential rate, and not the proportionate relation between those rates. An interpretative note to the Article also provides that the following action would not be contrary to the binding of margins of preference :—

(*a*) The reapplication 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 10th April, 1947 ; and