

ANNEX P
INTERPRETATIVE NOTES

ad Article 13

Paragraphs 7 (a) (ii) and (iii)

The word "processing", as used in these subparagraphs, means the transformation of a primary commodity or of a by-product of such transformation into semi-finished or finished goods but does not refer to highly developed industrial processes.

ad Article 15

Paragraph 1

The special circumstances referred to in paragraph 1 are those set forth in Article 15.

Paragraph 4 (a)

The Organization need not interpret the term "economic region" to require close geographical proximity if it is satisfied that a sufficient degree of economic integration exists between the countries concerned.

Paragraph 6 (d)

The words "the prospective parties to a regional preferential agreement have, prior to November 21, 1947, obtained from countries representing at least two-thirds of their import trade the right to depart from most-favoured-nation treatment in the cases envisaged in the agreement" cover rights to conclude preferential agreements which may have been recognized in respect of mandated territories which became independent prior to November 21, 1947, in so far as these rights have not been specifically denounced before that date.

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 1.50 francs per kilogram, the margin of preference would be 0.50 francs per kilogram.