(*b*) Classification of a product under an item other than that under which importations were classified on 10th April, 1947, where the tariff law clearly contemplates classification under more than one item.

Article 17 (Reduction of Tariffs and Elimination of Preferences) provides for negotiations among Members directed to the reduction of general tariff levels and elimination of preferences on a reciprocal and mutually advantageous basis :—

Members are obliged, upon request by another Member to enter into such negotiations which shall be subject to procedural arrangements made by the Organization, the object being to co-ordinate the negotiations as far as practicable.

Rules are laid down under which the negotiations shall generally proceed. They shall be on a selective product-by-product basis. Members are free not to grant concessions on particular items, but, under the mutually advantageous principle, failure to grant such concessions might naturally result in smaller concessions from the other party. Account is to be taken of the value to a Member of most-favoured-nation concessions and of the contribution he should make to obtain such concessions in his own right by negotiations. The binding of low duties or duty-free treatment shall be recognized, in principle, as a concession equivalent in value to the substantial reduction of high tariffs or the elimination of tariff preferences. The effect on specific rates of duty of devaluation of a Member's currency or of a rise in prices would also be taken into consideration. The rules also specify how reductions in the preferential rate or the most-favoured-nation rate shall affect the margin of preference. In no case is the margin to be increased.

Prior international obligations must not be invoked to frustrate negotiations. To give effect to agreements resulting from the negotiations such obligations are to be modified or terminated either with the consent of the contracting parties or, failing that, according to the terms of the agreement.

Concessions resulting from negotiations between Members and not already included in the General Agreement shall be incorporated in that agreement on terms to be agreed with the parties to that agreement.

Paragraph 4 of Article 17 contains very important provisions since they allow in certain circumstances departure from the most-favoured-nation principle. They stipulate, in effect, that Members of the International Trade Organization shall within two years of their becoming Members carry out negotiations necessary for them to become parties to the General Agreement. At the end of that period Article 16 ceases to require a Member to continue to extend most-favoured-nation concessions under the General Agreement to another Member which fails,