

Paragraph 4 provides that imported products shall receive “ national treatment ” in respect of regulations affecting their internal sale, purchase, transportation, distribution, or use.

In paragraph 5 a prohibition is placed on the use of regulations relating to the mixture, processing or use of products, which require that any specified proportion of the product must be supplied from domestic sources.

Paragraph 6, however, creates an exemption from this provision in respect of such regulations which were in force on 1st July, 1939, 10th April, 1947, or on the date of the Charter, at the option of the member, provided that any such regulation shall not be modified to the detriment of imports and shall be subject to negotiation in the same manner as an import duty under Article 17.

Provision of a similar nature is contained in Article III of the General Agreement on Tariffs and Trade, except that the exemption there applies only to internal quantitative regulations in force on 1st July, 1939, or 10th April, 1947. A party to that agreement is accordingly bound in respect of measures as in force on those dates, and their incidence could not be increased prior to the Charter coming into force. New Zealand has an interest in this provision in respect of the regulations in force requiring tobacco-manufacturers in New Zealand to utilize a specified minimum proportion of domestic leaf. Should it be desired to have recourse to such regulations for the purpose of increasing such proportion, application may be made to the Organization under the provisions of Article 13.

There is also an exemption from Article 18 in respect of internal quantitative regulations relating to exposed cinematograph films, as these are specially provided for under Article 19. Nor does the article apply to purchases of goods for governmental purposes and not for commercial resale or for use in the production of goods for commercial resale. In that case, while the Member may discriminate in favour of the local product, it must accord fair and equitable treatment as between the products of other members, *vide* paragraph 2 of Article 29.

The Article is not to be construed to prevent payment of subsidies to domestic producers, including payments from internal taxes applied consistently with the Article, also subsidies effected through governmental purchases.

An interpretative note to the Article explains the position regarding internal taxes, inconsistent with the Article, imposed by local governments and authorities. Their repeal would not be required if, although technically inconsistent with the Article, they were not inconsistent with its spirit and if their repeal would result in serious financial hardship. Where they are inconsistent, both in letter and spirit, their gradual withdrawal may be arranged if abrupt termination would create serious administrative and financial difficulties.