

**GENERAL AGREEMENT ON  
TARIFFS AND TRADE**

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DRAFT REPORT OF THE SPECIAL MEETING OF THE COMMITTEE ON  
IMPORT LICENSING HELD IN ACCORDANCE WITH THE DECISION OF  
THE CONTRACTING PARTIES AT THEIR 40TH SESSION REGARDING  
MTN AGREEMENTS AND ARRANGEMENTS (L/5756)

Note by the Secretariat

1. The Committee on Import Licensing held a special meeting on 17 April 1985 in response to the invitation addressed to all Committees or Councils regarding the MTN Agreements and Arrangements. The Committee addressed the issues of obstacles to acceptance which contracting parties may have faced and also the adequacy and effectiveness of the Agreement. Non-signatory contracting parties were invited to participate and express their views in the discussion.
2. There was recognition of the need to encourage the trend towards the opening of developing country markets to imports. One means of accomplishing this was through simplification of licensing procedures, which could be facilitated by applying the provisions of the Agreement on Import Licensing Procedures. The need to expand membership to the Agreement was generally recognized. One non-signatory announced its intention to join the Agreement; other non-signatories present expressed their authorities' interest in observing the Agreement's functioning and in learning from the experience of other countries involved in the Agreement.
3. It was noted that while the process of adapting national licensing systems to the Agreement's criteria was slow, problems were not insuperable particularly if the national licensing system did not contravene the Agreement's provisions. To assist in the process of adaptation, a need was seen for greater flexibility in the Agreement itself, and/or in its application. Proposals to this end included, e.g. (i) to allow temporary reservations on specific articles of the Agreement (under Article 5.2); and (ii) to provide the possibility to accede while delaying full application of the Agreement's provisions for a period of e.g. 5 years (as had already been suggested with respect to footnote 3 to Article 2 regarding a time-limit concerning automatic licence applications). In the context of (ii) it was noted that it would be easier for authorities to make the necessary changes in the licensing system and resist pressure from vested interests once having acceded to the Agreement.
4. Greater transparency was needed, in terms of providing both general information and better directed, more specific technical assistance. This would help clarify misinterpretations of the Code's provisions and/or terminology, promote a better understanding of its objectives and practical application, and facilitate adaptation of national licensing régimes to the Agreement's requirements. In addition, greater transparency with respect to the implementation of the Agreement would enable non-signatories to better judge the effectiveness of the Agreement, including the special provisions concerning developing countries (e.g. 3(1)). However, it was important to avoid burdening signatories with excessive notification requirements which might deter potential signatories from joining.

5. Several delegations stressed the need for minimum standards of discipline and thus were reluctant to allow broad derogations from the Agreement. In this context, it was important to avoid letting the technical/administrative problems in implementing the Agreement overshadow its underlying trade objectives of a simplified and transparent import licensing system. There was a general willingness to consider in detail specific problems of countries and to devise ad hoc solutions tailored to individual cases, including through better directed technical assistance and exchanges of experiences in implementation of the Agreement. To this end, Committee members welcomed more information concerning specific problems which individual countries faced with particular provisions of the Agreement.

6. The view was expressed that the Agreement itself was not at issue. The Committee's conclusions, stated in its 1983 annual report to the CONTRACTING PARTIES (L/5553) to the effect that the Agreement was adequate to ensure the discipline necessary to prevent trade distortions arising from licensing procedures, and that its effectiveness depended on continuing efforts being made by all parties to maintain and increase transparency and ensure a fair and equitable application and administration of the licensing procedures and practices, were still valid. Attention was drawn to the advantages of the Agreement in helping solve trade problems. In addition, the Agreement was not static; in this context reference was made to the work programme adopted in October 1984 concerning the clarification of certain elements of the Agreement. This was expected to lead to more effective and equitable implementation of the Agreement and thus facilitate entry.

7. The point was also made that the Agreement did not derogate from the GATT provisions nor add new substantive obligations. Its purpose was to clarify and streamline the implementation of certain GATT provisions, notably Articles VIII, X and XIII.

8. There was general agreement that the special meeting had been very instructive and informative. The general conclusions reached included:

- (i) Membership needed to be extended: however, the right formula for attracting new members had to be found. Some felt this could be accomplished by increasing the flexibility of some specific provisions of the Agreement itself and/or the way in which it was implemented. Others warned that too much flexibility might undermine the minimum standard of discipline embodied in the Code, and felt that increased transparency of the Agreement's provisions and implementation was a preferable path.
- (ii) There was a need for more information from and discussion with non-signatories concerning specific problems with particular provisions of the Agreement. An appropriate means of accomplishing this was through providing more general information concerning the Agreement, and better directed, more specific technical assistance.
- (iii) Continuing efforts should be made to make the Agreement more effective. The Work Programme already underway in the Committee on Import Licensing was seen as a means of accomplishing this by clarifying and simplifying certain elements of the Agreement.