

GENERAL AGREEMENT ON

RESTRICTED

LIC/M/21

14 June 1988

TARIFFS AND TRADE

Special Distribution

Committee on Import Licensing

MINUTES OF THE MEETING HELD ON 21 APRIL 1988

Chairman: Mr. A.-H. Mamdouh

1. The Committee on Import Licensing held its twenty-first meeting on 21 April 1988.
2. The agenda contained in GATT/AIR/2580 was adopted:
 - A. Election of officers
3. Mr. A.-H. Mamdouh (Egypt) and Mr. K. Leifland (Sweden) were re-elected as Chairman and Vice-Chairman respectively.
 - B. Status of signatories and observers
4. The Chairman called attention to document LIC/11/Add.2 in which Mexico noted that the Agreement had been accepted by its authorities on 9 February 1988, entering into force on 10 March 1988.
5. The member for Mexico stated that Mexico was fulfilling its obligations under the Agreement rigorously. He gave details of the latest liberalizations of import permits and quotas by his Government. Recalling that before Mexico's accession to GATT 818 tariff lines, covering 37 per cent of total imports, had been subject to import permits, he noted that following the latest agreement published in the Mexican Federal Diario Oficial on 4 December 1987, 8 tariff lines were removed from the prior permit requirement. Only 329 tariff lines remained subject to import permits at 31 December 1987 out of a total of 8,567 tariff lines. Furthermore, the list of goods subject to import quotas for the calendar year 1988 had been published on 11 January, in conformity with the agreement contained in Mexico's protocol of accession. At the same time, a number of products previously subject to minimal global quotas had been exempted from quantitative controls and thus could increase their sales in the Mexican market; however, Mexico reserved the right to return to quantitative controls on imports of such products if economic conditions were to justify it. Mexico was continuing its policy of elimination of prior import permits as far as possible. In due course, and once this process was concluded, Mexico would notify the results obtained and justify its remaining restrictions under the relevant provisions of GATT.

C. Information available on import licensing procedures

6. The Chairman noted that since the last meeting, revised or corrected replies to the GATT Questionnaire on Import Licensing Procedures had been received from Finland (L/5640/Add.6/Corr.2), India (L/5640/Add.7/Rev.2/Corr.1), Australia (L/5640/Add.13/Rev.1), European Communities for Spain and Portugal (L/5640/Add.21/Rev.1/Suppl.3), Japan (L/5640/Add.28/Suppl.1), Mexico (L/5640/Add.41/Corr.1) and Norway (L/5640/Add.42). The status of replies to the questionnaire had been issued in L/5640/Rev.4. A reply from Yugoslavia had just been received and would be circulated as L/5640/Add.20/Rev.2. The Chairman also drew attention to the publications received by the Secretariat from parties to the Agreement since the last meeting of the Committee, listed in LIC/3/Add.18.

7. The member from Poland presented information concerning new import regulations introduced by the Polish government which aimed at liberalizing and simplifying import procedures. He noted that in recent years Poland's economic policy objectives had been to increase the efficiency of the national economy through a reduction of central control in favour of an enlarged rôle for market forces. The aim was to create an economic environment in which enterprises, as independent entities, could plan and achieve their objectives with great freedom of decision and responsibility for their own results. These reforms also implied a more rapid development of external trade. To this end, import regulations had been simplified and equivalent legal conditions had been established for all enterprises engaged in foreign trade. New import regulations were based firmly on the GATT and the Agreement.

8. On 1 April 1988, the Ministry of Foreign Economic Cooperation (which had replaced the Ministry of External Trade) issued Resolution No. 10 on the principles and modalities of, and entities authorized to issue, import and export licences for foreign trade purposes. This Resolution, based on the rules of the Tariff Law of 26 March 1975, replaced the previous Resolution No. 55 of 31 December 1984 which was notified to the Committee and to GATT during 1987. Under the new Resolution, import licences serve both as trade policy instruments and sources of statistical information. The import licence is now the only document required for the importation of goods into Poland's customs territory. It also acts as a foreign exchange permit for outward transfer of funds for imported goods and is the basic statistical import document. Commercial firms and other agreed importers obtain import licences from the Ministry of Foreign Economic Cooperation or its named agents in foreign trade enterprises. No other formalities are required for imports of capital, merchandise or services.

9. The new Resolution establishes two types of import licences: general and individual. General licences are issued for goods, imports of which are provided for in the annual central plan or in the central balances of primary products and raw materials, within the scope of financial resources available to the government; goods and services provided for in

international agreements under obligatory quotas; capital and intermediate goods paid for with the importers' own foreign exchange resources drawn from exchange accounts derived from export income; goods for re-export; and a few other cases. General licences may be granted to publicly owned foreign trade enterprises, foreign trade cooperatives, private and mixed-capital firms. Equal treatment is given to all cases. General licences are valid for imports from all countries and are granted for periods of one year solely by the Ministry of Foreign Economic Cooperation. On the basis of a general licence from the Ministry an importer may conclude contracts for the import of goods into the Polish Customs territory, and is required only to inform the Customs authorities of the number and date of the import licence and to provide statistical returns. By contrast, individual licences, which can be issued either by the Ministry or its agents in foreign trade enterprises, are granted for imports made under compensation or barter trade, tied imports, leasing or other special transactions, as well as all those not covered by general licences. The new Resolution also obliges importers of machinery and equipment and certain other goods to purchase on the basis of open or limited international tendering - a significant innovation in Poland's import practice.

10. The member from Poland said that the new regulation which would shortly be published in the Official Journal of the Ministry of Foreign Economic Cooperation, would be notified to GATT by June 1988 at the latest.

11. The member from Norway, speaking on behalf of the Nordic countries, requested that Poland's notification should contain information on the criteria governing the issuance of import licences. The member from the European Communities asked the member from Poland whether licences were still universally required for imports into Poland. The member from Poland explained that on the grounds of the liberalized regulations about 700 enterprises, including a large number of private enterprises, had been granted the right to engage directly in foreign trade activities. This number was increasing steadily. All above-mentioned enterprises were entitled to apply for import licences. He also said that a full notification would be given in June.

12. The member from New Zealand recalled to the Committee that from 1 July 1988 import licensing would end except for a range of goods covered by specific industry plans. Most of these would be removed from import control at specific dates related to each plan over the period 1989/1990. For four industry plans there were no set termination dates but provision was made for continually increasing imports under the Import Licence Tendering Scheme; furthermore, all such plans were being considered for review and establishment of termination dates.

D. Implementation and Operation of the Agreement

(i) India: Import Licensing Procedures concerning Almonds

13. The Chairman called attention to document LIC/14, setting out the agreed terms of reference and membership of the Panel established under Article 4:2 of the Agreement at the Committee meeting on 15 September 1987, to examine the United States' complaint against India concerning its import licensing system on almonds (LIC/W/37 and LIC/M/19).

14. The member from Australia reiterated his government's interest in the case and reserved his delegation's right to make a submission to the Panel.

(ii) EC: Import licensing and suspensions on apples

15. The member from Chile said that following the institution of an import monitoring system on apples by the EC in February 1988, the Community had suspended imports of apples from Chile alone by a regulation issued on 14 April. The monitoring system was already seen by Chile as a protective measure; it had created uncertainty and higher costs for exports. In the Surveillance Body and Council's discussions (MTN/SB/5 and C/M/207), the EC had described the system as automatic and supervisory. However, the new restrictions were discriminatory and arbitrary. They contravened Article 2.2(a) of the Agreement; in addition, they isolated the Uruguay Round standstill commitment and impaired an EC tariff concession. He said that Chile would use all means available to it in GATT to combat this restriction. He asked the EC representative whether the Community intended to notify the measure. He emphasized the serious damage done to Chilean apple exporters, whose trade was programmed well in advance, particularly in view of the distance and shipping time involved and the perishable nature of the product.

16. The member from the European Communities questioned whether the Committee was the appropriate place to discuss this issue. The EC had established in February a monitoring system applying to all sources of apple imports and had notified this under Article 3 of the Understanding Regarding Notification, Consultation, Dispute Settlement and Surveillance. The monitoring system provided for automatic granting of import licences after 5 days, a half the delay allowed for in the agreement reacted by the Committee in 1987. The day before the present meeting the EC had decided on an emergency measure providing for a global quota allocated by supplying country according to the pattern of imports in a reference period. This was consistent with GATT provisions. It would be notified in due course. Chile's exports had reached its quota levels and imports had therefore been suspended. He argued that the measure should, if anything, be considered under Article 3 of the Agreement. He noted that consultations with Chile under Article XXIII of the General Agreement would be held the next day. Chile had also referred the question to the GATT Council, which was the appropriate forum.

17. The member from Chile hoped that the issue could be settled in the bilateral consultations; he emphasized that the Committee was an appropriate forum for the discussion as automatic licences had been suspended against Chile. Two shiploads of apples had been rejected at European ports, causing tremendous damage to Chile's export interests.

18. Members from Australia, New Zealand, the United States, Hungary and Canada supported the Chilean statements. Concern was expressed about conditions of access from Southern Hemisphere suppliers and others whose apple-growing sector was able to supply the EC market at this season, as well as about the way in which the licensing suspension had been introduced. It was stressed that, despite the Community's earlier assurances, the system had from the outset been non-automatic in nature; any import licensing system which reserved the right to impose restrictions could not be regarded as automatic, but was discretionary. Notification of any automatic import licensing system was required under the Agreement; in addition, problems were created by the manner of movement from automatic to non-automatic.

19. The Community representative reiterated that emergency measures had been taken by the EC Commission and quotas had been established for all suppliers. He considered that Article 3 of the Agreement was now relevant and said that the Community would apply its provisions carefully. The member from Chile stated that the Community was not respecting its obligations under the Agreement on the GATT, particularly following its statements in the Council and Surveillance Body. Chile would examine the new regulation very carefully.

E. Work programme

20. In relation to the proposals under consideration by the Committee concerning the clarification of the term "import licensing" in Article 1.1, the Chairman recalled that at an informal consultation following the last Committee meeting the Secretariat had been requested to seek information from all Parties on practices and documentation required as prior conditions for the import of goods into each Party's Customs territory. An informal note was sent to all Parties in January 1988 requesting information. However, few replies had been received; some of these stated that all relevant information was contained in the relevant replies to the GATT Questionnaire on Import Licensing Procedures.

21. The member from the United States said that her authorities' reply to the note would be tabled within a few days. The Secretariat's request was quite extensive. Further informal consultations would be desirable. The representative of the European Communities said that its reply to the GATT Questionnaire covered all relevant administrative procedures. The secretariat note was, however, useful in identifying the kind of issues relevant to the subject. The representative of New Zealand supported the need to improve transparency in the Agreement and agreed that further informal consultations would be useful.

F. Relationship between the work of the Committee and the Uruguay Round

22. The member from the United States referred to the proposals for improvement of the Agreement submitted in LIC/W/39 and LIC/W/41. She recalled that these had also been submitted to the Negotiating Group on MTN Agreements and Arrangements. The United States' intention was to keep the Committee informed of initiatives in the Negotiating Group and to initiate discussions wherever possible. Aspects of importance for the United States were transparency and procedures, clarification of terminology, and possible new substantive commitments in the Agreement. She distributed a paper, which would be notified formally to the Negotiating Group and the Committee, which took these concerns further on beyond the ideas expressed in LIC/W/39 and 41 by illustrating how they might be incorporated in the text of the Agreement. The United States sought comments and discussion.

23. Members welcomed the presentation of the United States paper and expressed interest in its contents. Some members agreed with many of the basic ideas. The member from New Zealand suggested that proposals for improvement of the transparency and review provisions of the Agreement could be deepened and expanded. The member from the EC recalled his comments in the Negotiating Group. He agreed that excessive use of import licensing should be avoided but noted the difficulty of defining "excessive" in percentage or tariff line terms. The member for Norway, speaking for the Nordic countries, was not at this stage prepared to endorse or to exclude the idea of new substantive commitments. The member from Japan looked forward to further discussion of the relationship between quantitative restrictions, safeguards and licensing. The member from India, while thanking the United States for its paper, warned against creating an "alternative" forum for negotiations in the Committee and looked forward to further discussions in the Negotiating Group. The EC representative agreed that the proper place for negotiations was in the Negotiating Group although Committees should be kept informed of proposals introduced into the Group.

G. Other Business

24. The member from Australia asked that annotated agendas, containing at least a checklist of documents received, should be circulated for future meetings. This was agreed.

25. The member for the European Communities recalled his question in the 20th meeting to the member from Egypt, on what, if any, other system (such as exchange regulations) had replaced import licensing in Egypt. The member from Egypt said that he had no new information. It was not the case that issuance of letters of credit was used in a way similar to import licences.

26. It was agreed that the next meeting of the Committee would be held on Monday 12 September 1988 at 3 p.m.