

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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Group 4 - Licensing

## REPLIES TO THE QUESTIONNAIRE ON LICENSING

Addendum

CEYLON

### Outline of systems

1. All commercial imports have to be licensed. Individual import licences are issued to the trade for the import of goods for sale. Actual User Licences are issued to registered industrialists for the import of raw material and machinery required by industries. Direct User Licences are issued to organizations, associations and institutions other than manufacturing industries for the import of goods for their own use or purposes.

Two categories of items (Category "A" and Category "B") are permitted to be imported under the different types of licences. Goods which are imported under Category "A" are those which are not subject to Foreign Exchange Entitlement Certificates. Category "B" items have to be supported by Foreign Exchange Entitlement Certificates (FEEC). (Under the FEEC scheme the Central Bank of Ceylon issues, through the commercial banks, FEECs to exporters. These certificates are transferable and are utilized for payments for imports.)

An issue of a licence entitles the recipient of the licence to a foreign exchange allocation and a time period is specified within which goods have to be imported. All imports have to be against letters of credit. In cases where imports are loan financed the operative procedures laid down for the different loans such as obtaining of contracts, pro forma invoices have to be followed prior to the issue of a licence and the establishing of a letter of credit.

### Purpose and coverage of the licensing

2. Licences are issued for the import of all goods, except those exempted as specified above. Licences of the "A" Category and "B" Category are issued for goods imported without FEECs and with FEECs respectively.

The types of licences issued are as follows:

(a) Individual import licences to the trade

These licences are issued against foreign exchange allocation available under the different quota items and entitles an importer to a foreign exchange allocation. Such licences are issued biannually and the imports against these licences are for the trade and are therefore for resale. The licences are not transferable. Goods imported against these licences may be either in the "A" Category or "B" Category as defined above.

(b) Actual User Licences

These licences are issued by the Ministry of Industries to registered industrialists for the import of raw material and machinery for their individual industries. Such imports may be either in the "A" Category or "B" Category.

(c) Direct User Licences

These licences are issued to approved direct users who import goods for their own purposes, and not for resale as in the case of trade licences. Organizations, associations and institutions other than manufacturing industries, repair workshops and other direct users who require items for personal use are issued this type of licence.

3. The licensing system applies to goods originating in and imported from all countries except Rhodesia for which no licences are issued.

4. The licensing system restricts the quantity and value of goods imported in view of Ceylon's serious balance-of-payments problems. She consults with the GATT under Article XVIII.

5. The legal basis for imports is the Imports and Exports (Control) Act No. 1 of 1969 and the Regulations made in terms of this Act. Licensing is statutorily required. The inclusion or exclusion of products to be licensed or to be imported without licences is done in terms of the regulations framed under the Act. The licensing system cannot be abolished without the necessary legislative authority.

6. Procedures

(a) All relevant information regarding imports and the regulations governing such imports are published in the Government Gazettes. Since allocations granted to importers vary according to the foreign exchange available and since variations do occur frequently, no overall amount is published. No particular amount is allocated to each country as importers are free to import goods from the cheapest sources on licences issued. Only licences issued against loan allocations require that goods be imported from sources from which funds are made available.

(b) Quotas are determined on a six-monthly basis. Importers are not required to apply afresh for subsequent six-monthly periods once they have become entitled to an allocation.

(c) Effective steps are taken to ensure that goods described in the licence are imported under that particular licence against the allocation given. Submission of all debit papers (invoices, bills of lading, etc.) to this control is a requirement prior to the clearance of goods from the customs. The Customs Department also exercises supervision on the goods imported under that licence and a physical verification is done where possible.

The names of importers to whom licences have been allocated are readily made available.

(d) No applications are called for in respect of licences issued under quotas, vide (b) above.

(e) Applications are made for Direct User Licences and not for licences for trade quotas. The period for processing such applications varies from one day to a month depending on the inquiries that have to be made in respect of the associations and institutions concerned.

(f) A minimum of about one month.

(g) Applications for trade and Direct User Licences are considered by the Department of Import and Export Control. Applications for Actual User Licences to registered industrialists are considered by the Ministry of Industries and Scientific Affairs. All licences however are issued by the Department of Import and Export Control.

(h) The available allocation against each quota is proportionately distributed among importers registered for the import of goods under quotas based on past performance. If the individual entitlement is meagre a minimum may be fixed depending on the type of items to be imported. In the case of certain licences for loan financed items the minimum allocations are specified by the donor country.

(i) Does not arise.

(j) Does not arise.

(k) Does not arise.

7. (a), (b), (c) and (d) Does not apply.

8. The Controller of Imports and Exports can refuse to issue a licence to an importer in terms of Section 7(1) of Import and Export (Control) Act No. 1 of 1969. An appeal against his decision could be made to the Minister of Foreign and Internal Trade. The Minister's decision shall be final (see II(1) and (2) of the Act).

9. Eligibility of importers to apply for licences

All persons, firms and institutions who had been importers before the system of import licensing was introduced, together with subsequent newcomers all of whom are registered with the Import Control Department, are eligible to engage in importation. There is no registration fee.

10. Only applications for Direct User Licences are required. Pro forma invoices and indents have to be submitted.

11. Documents required on actual importation are as follows: invoices, bills of lading, customs entries and insurance certificates.

12. There is no licensing fee.

13. No.

14. Conditions of licensing

The validity of a licence is normally six months. This period can be extended in the case of loan financed imports. The validity of other licences can be extended if cogent reasons are adduced for the inability of the importer to import goods within the licensing period. This extension of validity is done by altering the date on the licence and informing the banks of such alteration.

15. There is no direct penalty imposed for the non-utilization of licences or a portion of the licence but the issue of any further licences may be curtailed or restricted if sufficient reasons are not adduced for non-utilization of licences.

16. Import licences are not transferable.

17. The Import Control Act permits the inclusion of special conditions to meet specific situations in import licensing.

18. Other procedural requirements

Certain administrative procedures have to be satisfied before a licence is issued. These are largely to ensure that the import is bona fide and that the licence would not be misused. Submission of pro forma invoices, indents, before issue of licences are requirements to meet this end.

19. An import licence automatically entitles an importer to a foreign exchange allocation for the import of goods specified in the licence.