

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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## Committee on Import Licensing

### DRAFT MINUTES OF THE MEETING HELD 4 OCTOBER 1984

Chairman: Mr. A. Lontas

1. The Committee on Import Licensing held its eleventh meeting on 4 October 1984.

2. The agenda for the meeting was as follows:

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3. The Chairman welcomed Singapore, which had signed the Agreement on 20 June 1984. He noted that in conformity with Article 5.3, the Agreement had entered into force for Singapore on 20 July 1984.

#### A. Information available on Import Licensing Procedures

4. The Chairman drew attention to the following documents: LIC/3/Add.10, listing titles of publications containing information on import licensing procedures received by the secretariat since the last meeting; GATT/AIR/2003, inviting contracting parties to reply to the Questionnaire on Import Licensing Procedures; and L/5640 and Corr.1, which listed notifications received to date. He noted that subsequent notifications in response to the questionnaire would be distributed as addenda to L/5640. He reminded the Committee that under GATT procedures, contracting parties were to notify annually by 30 September any changes in their import licensing system, and invited those who had not done so recently to update their reply to the Questionnaire on Import Licensing Procedures.

5. The representative of Argentina informed the Committee that his government had submitted a notification on import measures taken for balance-of-payments purposes which was distributed as document L/5687. The Chairman noted that this information responded to questions raised by the European Economic Community at earlier meetings (LIC/M/9, paragraph 25 and LIC/M/10, paragraph 5).

6. The representative of Canada announced that his authorities were preparing an updated Reply to the Questionnaire on Import Licensing Procedures, and invited interested parties to consult the Notices to Importers which contained the relevant information and were sent regularly to the secretariat.

7. The representative of Chile informed the Committee that their updated Reply to the Questionnaire on Import Licensing Procedures had just been sent to the secretariat (L/5640/Add.8). The representative of the United States called attention to the recent notification of changes in the US licensing system appearing in L/5640/Add.5.

8. The representatives of Sweden and Egypt informed the Committee that their respective governments would supply shortly the required notifications.

8. The representative of New Zealand referred to some of the recent policy changes made by the new New Zealand government, which had an impact on the import licensing system. In the light of the recent 20 per cent devaluation, the government had decided on some additional adjustment measures in sectors with low import exposure, while sectors already subject to industry development plans or already exposed to a reasonable level of imports would not be subjected immediately to additional liberalization. The measures in question included: (i) maintenance of access for the pre-devaluation volume of licenced imports by increasing by 25 per cent as from 1984-85 all import licence allocations denominated by value; (ii) further increases in import licence allocations to reach a minimum global import access of 10 per cent by value of the estimated domestic market (production less exports) for goods produced in New Zealand (but not for goods covered by industry development plans). Additional licences would be tendered. The date of introduction had not yet been determined but would not be later than 1 January 1985; (iii) confirmation that the continuing annual increase of import licence allocations beyond the base period would be as already agreed with manufacturers, i.e. 2.5 to 5 per cent of domestic production less exports; and (iv) that except for the motor vehicle industry, which was currently under review, industry development plans would proceed according to previously arranged timetables. Consultations on the future framework for the revised protection programme and the basis on which tariffs would be set would take place with interested sector groups over the next two to three months.

10. The European Economic Community confirmed that notifications for the Community as a whole concerning automatic licensing for steel, as well as an updated version of its complete notification, were still in process and would be submitted in the very near future.

11. The Committee took note of the statements made under this item.

B. Implementation and Operation of the Agreement

12. The representative of Japan stated that his authorities had been making utmost efforts to publish import quotas, taking into account discussions at previous Committee meetings. Regarding leather, he recalled his announcement of his authorities' decision to publish quotas in the second half of fiscal year 1984 (LIC/M/10, paragraph 12): these had already been published as "Import Announcements" in "The Ministry of Trade and Industry Official Bulletin" on 19 September 1984 for wet-blue-chrome and finished leather, and on 2 October 1984 for seat leather for automobiles. The total amount of import quotas for the second half of fiscal year 1984 was about US\$52 million: US\$20 million each for finished leather and wet-blue-chrome; and US\$12 million for seat leather for automobiles. He also said that if applications exceeded the import quotas for wet-blue-chrome, his authorities were prepared to publish the amount of additional import quotas in order to meet the level of applications. While his authorities had decided to publish quotas for leather footwear, he was unable to announce a publication date at this stage.

13. The representative of Australia recalled his government's statement at the GATT Council, during its consideration of the panel report on leather, that they looked forward to Japan's first steps in liberalizing its régime for leather products, and wet-blue-chrome in particular. He said his government would be watching closely the procedures applied for the issuing of licences, the extent to which licences were taken up, the level at which the quotas were set as well as any increases in the quotas.

14. The representative of the European Economic Community said they were not fully satisfied with the Japanese delegation's statement and urged Japan to intensify its efforts to fulfil its obligations, especially on footwear. He also hoped to obtain more details on the implementation of the measures announced.

15. The representative of the United States noted Japan's statement and welcomed the liberalizing aspects, including the breakdown of the quotas. Her government remained concerned that Japan had not yet fulfilled its obligations under the Agreement concerning leather footwear and she urged Japan to announce as soon as possible a date for publication of its quotas. Regarding restrictions on agricultural products, she repeated her government's concern about the miscellaneous import items and urged Japan to publish officially quotas for beef and citrus, the thirteen agricultural categories, and the "miscellaneous import items", including in particular further information concerning specific products covered and the individual quotas included in the aggregate figure of US\$50 million cited by the Japanese representative at the June 1984 Committee meeting (LIC/M/10, paragraph 15).

16. The representative of Japan noted that the miscellaneous import list contained a variety of items and subdivisions of items. Because the import quotas for each item was small and the demand/supply situation difficult to grasp, quotas were established collectively and allocations made on an application by application basis. This was to assist small traders in importing small allocations of such products. He said these items would be

transferred to the specific quota list if demand/supply trends could be grasped and forecast, as had been done recently for cod roe, tomato juice and tomato ketchup, fruit purée and fruit paste and fruit pulp (LIC/M/8, paragraphs 7 and 8; LIC/M/9, paragraph 13; and LIC/M/10, paragraph 10).

17. The representatives of New Zealand, Pakistan and Canada, while welcoming the information supplied by Japan, said they were interested to see what this would mean in actual practice. They also hoped that the matter could be removed from the Committee's agenda in the near future. The representative of New Zealand added that in many instances the Japanese government had not disclosed the names of licence holders for leather and other quotas, which made it unnecessarily difficult for exporters to service the market and thus impeded trade.

18. The Committee took note of the statements made. While welcoming the information supplied by Japan, it felt the measures were incomplete and insufficient. The Committee urged Japan to do all it could to fulfil its obligations as rapidly as possible, and to keep the Committee informed of the state of progress. In this connection, the Chairman stressed the importance of leather footwear and the miscellaneous import products which had been mentioned by a number of parties.

19. Recalling the issue they had raised at the previous meeting concerning United States licensing practices for speciality steel (LIC/M/10, paragraph 22), the representative of the European Economic Community still believed that the procedures did not conform with Article 1.1 of the Agreement. He maintained that the system was unacceptable as it created a situation of uncertainty for exporters who could not know in advance whether their shipments would be allowed to land.

20. The representative of the United States responded that any problem the European Economic Community might be having did not concern licensing but related to the application of the quota involved. In repeating the points made at the last meeting (LIC/M/10, paragraph 23), she said the procedures in question did not constitute licensing but were merely an invoice requirement providing necessary information to the United States Customs Service and thus did not violate Article 1.1; as the United States did not maintain a licensing system, they also did not violate Article 3(a) of the Agreement. While shipments occasionally had to be warehoused or transhipped because they had arrived after a quota had been filled, no additional barriers to trade had been created because any exporters, importers or government entities could ascertain the status of a particular quota prior to shipment by calling the United States Customs Service.

21. The Chairman stated that it seemed the issue was one of interpretation, and that perhaps the procedures in question needed study in greater detail to determine whether they fell inside or outside of the Agreement.

22. The Committee took note of the statements made under this item and agreed to revert to this issue at its next meeting.

C. Consultations with interested non-signatories

23. The Chairman reported on an informal meeting held on 1 October between interested signatories and non-signatories to discuss possible obstacles to accession to the Agreement. He noted that those non-signatories which had spoken were favourably considering accession to this and other MTN Agreements provided certain internal problems could be solved. He summarized the main problems which seemed to emerge as the following: (a) inadequate information available in capitals concerning the actual functioning of the Agreement. Technical assistance from the secretariat was seen as one means of alleviating this problem; and (b) perceived inconsistencies with, or conflicts between, national legislation and the provisions of the Agreement. Since reservations cannot be made under the Agreement and Article 5.4 stipulates that national laws and regulations must be in conformity with the Agreement upon accession, some countries felt they could not accede without closer examination of how their national legislation fit into the Agreement. On the whole, the provisions of the Agreement themselves did not appear to create major problems; however, if in further consultations problems were identified which seemed to conflict with or impinge upon the Agreement's provisions, the Committee could return to the question of how these issues could be handled.

24. The representative of Egypt said that the problems discussed in the consultations were very important and could arise in respect of other Agreements as well. In comparison with those developing countries that had adhered to the Agreement, the number outside the Agreement would seem to indicate that the Agreement's provisions do create problems for them. His delegation saw many provisions in the Agreement which could be looked at by this Committee or other fora with a view to determining whether there were inherent problems preventing developing countries from acceding. He referred to discussions at the 1983 CONTRACTING PARTIES' session concerning this problem, and suggested that before one could conclude that the provisions of the Agreement did not present any problems, the countries concerned should be asked why they do not join. He felt that the question may be that the Agreements' provisions do not provide adequate flexibility. For example, one could conceive of extending the two-year period provided for in the footnote to Article 2.2 to three or four years. He suggested that the need for interpretative notes or amendments could be examined; to deal with such problems an ad hoc group or a working party of the Committee could be established, in which non-signatory developing countries could participate in discussions on an equal footing with Parties to the Agreement.

25. The Chairman noted that it was an objective of the contracting parties to encourage the developing countries to participate in all GATT activities, and in the MTN Agreements and Arrangements in particular. Of course, the conclusions he had drawn from his consultations were based on the reactions of a limited number of non-signatory developing countries. There might therefore be difficulties other than those that had been reported which needed to be taken up in a more general, global and thorough manner.

26. The representative of the European Economic Community shared the perception that the essence of the problems derived from inadequate knowledge of the Agreement's provisions rather than from substantive reasons. In his view, the consultations should be pursued on this basis.

27. The representative of New Zealand suggested that, while the representative of Egypt's statement had evidenced concern that problems existed, it was not clear that the large number of developing countries outside the Agreement meant that the provisions themselves were inhibiting their participation. He urged developing countries to let them know where the problems lie. While there might be a need to make some of the provisions more flexible, such as the example mentioned by the representative of Egypt, he cautioned that too much flexibility would negate the purpose of the Agreement itself, which in large part was to bring transparency to each other's systems. He also stressed that perhaps this matter should be discussed more thoroughly in this Committee before being discussed in other fora.

28. The Chairman concluded that the consultation process should continue with a view to making progress toward the implementation of the 1982 Ministerial Decision regarding MTN Agreements and Arrangements, and that the Committee could revert to the matter at a later stage. It was so agreed.

D. Future Work of the Committee

29. The Chairman summarized the conclusions that had been reached during informal discussions which had been held on this topic. A consensus had emerged that this should now be included on the regular agenda and become an integral part of the Committee's work and that they should proceed towards an examination of points concerning "simplification" of the Agreement. There was no consensus regarding case studies on the application of the Agreement. In the light of the most recent discussions, the Chairman proposed that the Committee adopt, as a first stage, the following work programme: regarding simplification, the Committee would attempt to reach a common understanding on the meaning of certain provisions formulated in vague terms. In this connection, he mentioned the following points which had been set out in an informal secretariat document:

- A. Publication
- B. Publication of Information
- C. Application procedures
- D. Period of processing applications
- E. Period of licence validity
- F. Distribution of licences to applicants

The Chairman emphasized that this list was not exhaustive and that other points could be added.

30. The Committee approved the work programme. The Chairman then proposed the following procedures:

- (i) As a first step, the Committee might focus on the first three points of the list which had appeared in the secretariat document:
  - A. Publication: Articles 1.4, 3(e)
  - B. Public Notice: Article 3(d)
  - C. Application Procedures: Article 1.6

(ii) Specifically, delegations were invited to communicate by 31 January 1985 their comments, observations and suggestions as to how to proceed concerning points A, B, C (indicated above).

(iii) The secretariat would examine notifications by signatories concerning existing legislative procedures on these points and compile an inventory thereof; it would also prepare a resumé of the responses submitted by delegations.

31. A need for flexibility regarding the work programme and its procedures was underlined by a number of delegations. The representative of Egypt hoped that developing countries, whether or not signatories to the Agreement, would be able to present certain ideas related to the application of the Agreement to developing countries. The representative of Australia said that flexibility was needed to allow occasional additions to the list. He also stressed that the work should be problem-oriented and not undertaken for its own sake.

32. Several delegations emphasized that the procedures outlined by the Chairman should not entail any increases or substantial changes regarding the rights and obligations accepted by the signatories to the Agreement. The representative of the Philippines added that he hoped that this matter would continue to be pursued through informal discussions and careful deliberations. The representative of Singapore hoped that, in view of Singapore's position as a new signatory, the Committee would be lenient in terms of the 31 January deadline.

33. The Chairman emphasized that the procedures outlined were designed exclusively to clarify certain provisions of the Agreement and that informal channels of discussion were always available. He also stressed that flexibility would be de rigueur, in particular when approaching problems concerning the interpretation of the vague language.

34. The Committee adopted the procedures outlined for the work programme, and agreed to examine the results of the work done at its next meeting.

E. Report (1984) to the CONTRACTING PARTIES

35. The Committee adopted its Report (1984) to the CONTRACTING PARTIES, contained in document L/5696.

F. Date and agenda for the next meeting

36. The Committee agreed tentatively to hold its next meeting in March 1985, the exact date and time to be set in consultation with the Chairman. The following items would be proposed for the agenda, subject to the agreed procedures in this regard.

1. Information available on Import Licensing Procedures
2. Implementation and Operation of the Agreement
3. Work programme: examination of first stage
4. Other business