

GENERAL AGREEMENT ON

TARIFFS AND TRADE

RESTRICTED

L/5640/Add.12/Rev.1
19 December 1988

Limited Distribution

Original: English

REPLIES TO QUESTIONNAIRE ON IMPORT LICENSING PROCEDURES

Hungary

Revision

The following notification has been received from the delegation of Hungary in response to the questionnaire on import licensing procedures annexed to L/5640/Add.4. The notification updates and replaces information previously provided in L/5640/Add.12.

Outline of the system

1. According to Section 20 of Law No. III of 1974 on Foreign Trade, within the scope of foreign-trade activity, the conclusion of contracts, importation and exportation of products, fulfilment and making use of services, extension of commodity credit and certain other actions can be subject to licensing requirement.

The Law authorizes the Minister of Foreign Trade¹ to establish and enforce the procedures for the licensing of foreign-trade contracts.

On the basis of the authorization given by the legal rule, the Minister of Trade, in Decree No. 3/1977/23.VII/KkM and in Directive No. 10/1977/KkE.14/KkM on its enforcement, has regulated the order of licensing on the foreign trade in goods, services and rights representing material value.

The fundamental principle is that foreign-trade contracts defined in the Decree can only be concluded, modified and executed after obtaining the licence of the Minister of Trade, and in compliance with the conditions contained in it. The system of licensing is applied to the foreign-trade turnover as a whole irrespective of categories of goods, supplying countries or the mode of importation.

¹Since 1 April 1988 the Minister of Trade

Purposes and coverage of the licensing

2. It follows from the reply to question No. 1 on the outline of the system that there is one uniform system of licensing.
3. The system applies to goods originating in any country.
4. Apart from the import quota for consumer goods, the licensing systems is not restrictive save under exceptional circumstances (see paragraph 8). The purpose of the system is:
 - (a) to pursue a liberal import policy, provided that no discrimination of any kind is applied towards Hungary by contracting parties still maintaining quantitative restrictions;
 - (b) to control that only companies registered to conduct such activities should engage in importation;
 - (c) to observe statistically the conclusion of foreign-trade contracts and imports.

No alternative methods of accomplishing these purposes have been considered.

5. The legal basis of licensing has been established by Law No. III of 1974. The detailed regulation on the basis of this Law was issued in Decree No. 3/1977/23.VII/KkM and in Directive No. 10/1977/KkE.14/KkM. Licensing is not statutorily required, but it is only a possibility. Designation of products subject to licensing is an administrative function. The Government and the State administration have the right to abolish the system of licensing without legislative approval.

Procedures

6. The quota for consumer goods is established as a global quota in value, applicable globally:
 - (a) The dollar value of the quota is published annually in the Trade Gazette. It is not broken down to countries or to importers.
 - (b) The quota is given for the specific year in question. There is no limitation which would prevent an importer from applying for a licence for the whole year.
 - (c) The licence is applied for by the company concerned. There are no steps taken to ensure that licences allocated are actually used for imports. Unused allocations are not automatically added to the quota for the next year. So far no requests have been received by the Hungarian authorities to make known the name of importers to whom licences have been allocated.

- (d) The quota can be used at any time during the year it refers to.
 - (e) Licences for the quota for consumer goods are issued immediately after registrations and for other applications, generally within ten days.
 - (f) No such time is determined.
 - (g) The single administrative organ of general authority which considers licence applications is the Ministry of Trade acting on the basis of the authority vested by the Minister of Trade. The application should not be passed on to any other organ for visa, approval or note. The importing company can approach only the Ministry of Trade.
 - (h) Licence applications against the quota for consumer goods are examined on receipt. Licences are granted immediately in the order of arrival of applications until the quota is used up.
 - (i) The question is not relevant. Vis-à-vis Hungary there is no export restraint arrangement.
 - (j) Not relevant (see 6(i)).
 - (k) No
7. (a) In all cases the import contract may not be concluded without the import licence.
- (b) Yes, when it is warranted.
- (c) No
- (d) Licences are issued by one organ only, the Ministry of Trade. The application need not be passed on to any other organ. Exceptions are the agreements on industrial co-operation and special foreign-trade transactions for which approval must be requested from the competent other departments of the Ministry of Trade, as defined in the legal regulation before applying for licence. In the case of high technology and know-how imports, the support of the Ministry of Industry and the National Committee for Technical Development may be requested.
8. The licence can be refused or withdrawn in retaliation against discrimination, for balance-of-payments reasons, if the applicant is not registered for having the right of foreign-trade activity with the Ministry of Trade (see paragraph 9) and for other non-economic (e.g. sanitary and phytosanitary) reasons defined by other relevant laws and regulations. Applications filled in erroneously can be returned for correction. Upon

request the reasons for refusal should be given. The appeal for reconsideration of the refused application should be presented to the Minister of Trade.

Eligibility of importers to apply for licence

9. Every economic organization in Hungary is entitled to carry out foreign-trade activity after having been registered by the Ministry of Trade. The registration is made on the basis of the declaration of the company that organizational and personal requirements (qualifications etc.) are fulfilled. If legal requirements are met, the Ministry has no right to reject the registration application. Every economic unit may be registered as conducting foreign-trade activities (export and import) in respect of any product (service) except for the products to be found on the negative list. Nonetheless, products on the negative list may also be traded upon formal authorization.

Private persons can also be authorized to carry out foreign-trade activity. In addition, foreign-trade right can be granted on an ad hoc basis. The companies registered to carry out foreign-trade activities can apply for a licence. The Ministry of Trade prescribes by law the criteria for being registered. There is no registration fee. The list of companies is public. (The legal basis of the new regulation on foreign trade is in Decree No. 1/1987/27.XII/KeM.)

Documentation and other requirements for application of licence

10. The following information is required in applications: name and number of company, name of executive, serial number of application, date of submission, country of origin, name and address of supplier, contracting country, forwarding terms, conditions of payment, year of quota and serial number (if applicable), nature of transaction, time of delivery, number of article, denomination and quality of goods, quantity unit, quantity, unit price, sign of currency, value in foreign exchange and in forint, domestic buyer and its supervising authority. The applicant may be required to enclose supplementary information and certification.

11. Only the filled-in application form should be submitted. It is sufficient to indicate that permits required by other legal rules or other certificates of compulsory registration (for example: plant or animal health certificates, safety certificates etc.) have been obtained; it is not necessary to present them.

12. The licensing fee amounts to 1 per cent of the forint value.

13. There is no deposit or advance payment requirement associated with the issue of licences.

Conditions of licensing

14. Unless otherwise specified in the licence, the period of validity is until 31 December of the year. In case of expiry, it is possible to request its modification. Its details are not regulated.

15. No

16. No

17. No

Other procedural requirements

18. No

19. The licence issued entitles automatically for the purchase of foreign currency of the amount given in the licence in accordance with foreign-exchange regulations. The licence is required as a condition to obtaining foreign exchange. The foreign exchange can always be purchased against the licence issued. A forint cover requirement applies to investment financing, a letter from the National Bank confirming that financing for the project has been secured in full, is required before spending can be initiated.