Note by the Secretariat

1. At its March 1977 meeting the Sub-Group "Quantitative Restrictions" requested the secretariat to revise and up-date document MTN/MTN/W/73 taking account of the oral and written comments and suggestions that had been made in the discussion at technical level as well as any further comments and suggestions which delegations submitted by 30 April 1977 (MTN/NTM/30, paragraph 11).

2. This document is circulated in response to this request. It sets out:

   Annex I: Automatic Import Licensing
   Annex II: Licensing to Administer Import Restrictions

3. Some of the issues raised in the discussion at the technical level, as summarized by the Acting Chairman (annex to MTN/NTM/30), are reproduced in Annex III.
ANNEX I

Automatic Import Licensing

PARAGRAPH 1

CTIP text:

1. Automatic import licensing is defined as licensing which is not used to administer import restrictions such as those employed pursuant to the relevant provisions of inter alia Articles XI, XII, XVII, XVIII, XIX, XX and XXI of the General Agreement and when foreign exchange is granted automatically. The term "automatic licensing" covers technical visa requirements, surveillance systems, exchange formalities related to imports, and other administrative reviews of an equivalent kind effected as a prior condition for entry of imports.

Proposed amendments:

- replace by the following:

"Automatic import licensing is an administrative proceeding prior to entering of imports according to which licences are issued immediately on request freely and expeditiously and on a simplified procedure and in a manner not to discourage and restrict imports."

Yugoslavia (oral statement)

Israel (oral statement)

- define clearly the scope and purpose of the draft, and how it fits into the context of the GATT provisions.

Mexico (written notification)

PARAGRAPH 2

CTIP text:

2. Alternative I

Automatic licensing systems, where required, shall not be used to restrict imports. Such systems shall

Alternative II

No automatic licensing shall be required for the importation of goods after ... However, during the interim
Alternative I (cont'd)  
be governed by the provisions of the General Agreement, in particular Article VIII, and be subject to the provisions set out in paragraphs 3-10 below.

Alternative II (cont'd)  
period, in special cases justified by the need to carry out certain administrative controls which could not be made in a more appropriate way, a system of automatic licensing may be applied subject to the following provisions.

Proposed amendments:

- replace the two alternatives by the following:

"Automatic import licensing shall not be required as a general and permanent prior condition for the entry of any product described in Part I of the appropriate schedules to the General Agreement. Where required, any automatic licensing requirement shall be applied in accordance with the following provisions:"

Canada (MTN/NTM/W/11/Add.7)

- include a third alternative containing elements of special and more favourable treatment of developing countries.

Ecuador/Andean Group (oral statement)

- merge the two alternatives to read as follows:

"(a) Automatic licensing systems, where required, shall not be used to restrict imports.

"(b) After ..., the developed countries shall eliminate the system of licensing for imports of goods to which they applied the automatic licensing system.

"(c) Automatic licensing shall be subject to the provisions set out in paragraphs 3 to 10 below."

Mexico (MTN/NTM/W/11/Add.8)

- amend the text as proposed by Mexico with the deletion of the word "developed" from (b).

New Zealand (oral statement)
- replace the two alternatives by the following:

"No automatic licensing shall be required for the importation of goods after ... except in special cases where this system is appropriate on the basis of an international arrangement or justified by particular circumstances for sanitary or security reasons. However, in the cases of imports of developing countries in special cases justified by the need to carry out certain administrative controls which could not be made in a more appropriate way, a system of automatic licensing may be applied temporarily.

"Automatic licensing systems, where required, shall not be used to discourage or restrict imports. Such systems shall be governed by the provisions of the General Agreement, in particular Article VIII, and be subject to the following provisions."

Yugoslavia (MTN/NTM/W/11)

- amend the text as proposed above with the deletion of the word "temporarily" at the end of the first sub-paragraph.

Brazil (oral statement)

- add new paragraphs to read as follows:

"It shall not be used, either directly or indirectly, to restrict or otherwise influence the quantity, composition, conditions or sources of imports.

"It shall be limited to those products for which specific administrative controls are deemed necessary by the authorities of the contracting party concerned with respect to some or all sources of imports.

"It shall be removed as soon as the circumstances which gave rise to its introduction no longer prevail."

Canada (MTN/NTM/W/11/Add.7)
Nordic countries (oral statement)

PARAGRAPH 3

CTIP text:

3. The rules governing presentation of applications for automatic licences and the lists of products subject to automatic licensing shall be published, with a specific indication as to the purpose and character of the system and in such a
manner as to enable governments and traders to become acquainted with them. Any changes in either the rules governing automatic licensing or the lists of products subject to automatic licensing shall also be promptly published in the same manner.

Proposed amendments:

- delete "with a specific indication as to the purpose and character of the system"

  Brazil (oral statement)

- amend the first sentence to read as follows:

  "The rules governing presentation of applications for automatic licences and the lists of products subject to automatic licensing shall be promptly published, with a specific indication as to the purpose and character of the requirement and in such a manner as to enable traders to become acquainted with them."

  Canada (MTN/NTM/W/ll/Add.7)

- replace by the following text:

  "The rules governing presentation of applications for automatic licences and the lists of products subject to automatic licensing shall be published, with a specific indication as to the purpose and character of the system. The said rules and lists may be amended at any time without prior notice.

  "Any changes in either the rules governing automatic licensing or the lists or products subject to automatic licensing shall be published."

  Mexico (MTN/NTM/W/ll/Add.8)

- add new paragraph after paragraph 3 to read as follows:

  "The rules governing presentation of application for automatic licences or changes thereto shall be notified annually to the GATT. Each contracting party shall also promptly notify any product for which an automatic licensing requirement is introduced or removed, as and when it is introduced or removed with a specific indication of the purpose and character of the licensing requirements."

  Canada (MTN/NTM/W/ll/Add.7)

  New Zealand (oral statement)
PARAGRAPH 4

CTIP text:

4. Automatic licensing systems shall not be designed nor operated in such a manner as to discriminate between sources of imports.

Proposed amendments:

- delete the paragraph.

Austria (MTN/NTM/W/11/Add.6)
EEC (oral statement)
Nordic countries (oral statement)
Spain (oral statement)

- delete the square brackets.

United States (MTN/NTM/W/11/Add.5)
Czechoslovakia (MTN/NTM/W/73/Corr.1)
Hong Kong (oral statement)
Japan (oral statement)
New Zealand (oral statement)

- replace by the following text:

"Within the framework of the political, economic and trade relations of each country with other countries and in the light of the relevant resolutions of the United Nations, automatic licensing systems shall not as a general rule be designed in such a manner as to discriminate between sources of imports."

Mexico (MTN/NTM/W/11/Add.8)\(^1\)

- amend the text to read:

"Automatic licensing systems shall not be designed nor operated in such a manner as to discriminate between sources of imports. No automatic licensing shall be used in respect of one or a group of countries."

Yugoslavia (MTN/NTM/W/11)

\(^1\) Mexico can also accept the deletion of the paragraph.
PARAGRAPH 5

CTIP text:

5. All persons, firms and institutions which fulfill the legal requirements for engaging in import operations involving products subject to automatic licensing shall be equally eligible to apply for and to obtain licences.

Proposed amendments:

- add after "legal requirements" the words "of each country"

Mexico (written notification)

PARAGRAPH 6

CTIP text:

6. Application forms shall be as simple as possible. No document shall be required on application other than a pro forma invoice or, where strictly indispensable, other documents necessary to determine the nature and composition of the product.

Proposed amendments:

- add at the beginning of the second sentence "other" before "document".

Australia (oral statement)

- replace the second sentence by the following:

"Documentation requirements shall, wherever practicable, be limited to those for normal customs purposes:"

Canada (MTN/NTM/W/73/Add.7)

- make it clear that expression "other documents necessary to determine the nature and composition of the product" includes documents necessary to verify the value, quantity and nature of the product.

Nordic countries (oral statement)
Application forms shall be as simple as possible. Together with the application, a pro forma invoice may be required or, where strictly indispensable, in accordance with the administrative policy of the country concerned, other documents necessary to determine the nature and composition of the product.

Mexico (MTN/NTM/W/11/Add.8)

-amend the text as proposed by Mexico with the deletion of the words "in accordance with the administrative policy of the country concerned".

New Zealand (oral statement)

PARAGRAPH 7

CTIP text:

7. No application shall be refused for minor errors in documentation easily rectifiable.

PARAGRAPH 8

CTIP text:

8. The applicant shall have to approach only one administrative organ for a licence.

Proposed amendments:

-replace "administrative" by "competent".

Romania (oral statement)

-add second sentence to read:

"If in exceptional cases some other organs are to be approached then their number should be limited as far as possible."

Japan (oral statement)
- replace by the following text:

"The applicant for a licence shall have to approach the administrative organ or organs previously specified in the applicable rules referred to in paragraph 3 above."

Mexico (MTN/NTM/W/11/Add.8)
Ecuador/Andean Group (oral statement)

PARAGRAPH 9

CTIP text:

9. Applications for licences may be submitted at any time.

Proposed amendments:

- amend to read:

"Adherents shall be free to require that applications for licences must be submitted no later than seven days after the placement of a firm order and in no event later than the date of shipment of any of the goods involved."

Australia (written notification and oral statement)

PARAGRAPH 10

CTIP text:

10. Applications for licences shall be granted immediately on receipt or if this is not administratively feasible within a maximum of five working days from the date of receipt of the application.

Proposed amendments:

- add at the beginning:

"To the extent administratively feasible,"

Canada (MTN/NTM/W/11/Add.7)
- make it clear that applications must be submitted in appropriate and complete form.

Nordic countries (oral statement)

- amend to read

"Applications for licences when submitted in appropriate and complete form shall be granted to the extent administratively feasible within the shortest possible delay of time."

Brazil (oral statement)
Ecuador/Andean Group (oral statement)
Nordic countries (oral statement)
Spain (oral statement)

- add new paragraph after paragraph 10 to read as follows:

"Each contracting party shall, upon request, afford sympathetic consideration to and afford opportunity for prompt consultation with regard to any matter related to automatic import licensing. If no satisfactory solution of the matter has been reached within sixty days, the matter may be brought before the CONTRACTING PARTIES."

Canada (MTN/NTM/W/7/Add.7)
ANNEX II

Licensing to Administer Import Restrictions

CTIP text:

Licensing procedures adopted and practices applied for the issue of licences for administration of import restrictions may, in some cases, have additional restrictive effects on imports. The following provisions shall accordingly apply when a licensing system is used for the administration of quotas and other import restrictions.

Proposed amendments:

- amend to read:

"In some cases import licensing systems employed to administer quotas and other import restrictions may have additional restrictive effects. Accordingly, the following provisions shall apply to such systems without prejudice to the rights and obligations of the General Agreement."

United States (MTN/NTM/W/38)

PARAGRAPH 1

CTIP text:

/1. Licensing systems to administer import restrictions shall not be designed nor operated in such a manner as to prohibit imports from certain sources or discriminate between sources of imports, unless otherwise permitted under the General Agreement. /

Proposed amendments:

- delete the paragraph.

Austria (MTN/NTM/W/11/Add.6)
EEC (oral statement)
Nordic Countries (oral statement)
Mexico (oral statement)
Spain (oral statement)
Canada (MTN/NTM/W/11/Add.7)
Czechoslovakia (MTN/NTM/W/73/Corr.1)
Japan (oral statement)
New Zealand (oral statement)

- replace by the following text:

"Within the framework of the political, economic and trade relations of each country with other countries and in the light of the relevant resolutions of the United Nations, the systems to administer import restrictions shall not as a general rule be designed in such a manner as to discriminate between sources of imports."

Mexico (MTN/NTM/W/11/Add.8)

- amend to read:

"Import licensing systems shall not prohibit imports from certain sources or discriminate between sources of imports."

United States (MTN/NTM/W/88)

**PARAGRAPH 2**

**CTIP text:**

2. The foreign exchange necessary for the payment of imports subject to licensing shall, where required, be made available to import licence holders on the same basis as to importers of goods that do not require import licences.

Proposed amendments:

- amend to read:

"The foreign exchange necessary to pay for imports subject to licensing shall be made available to licence holders on the same basis as to importers of goods not requiring licences."

United States (MTN/NTM/W/88)

\[1\] Mexico can also accept the deletion of the paragraph.
- amend to read:

"Once the licence has been granted the foreign exchange shall automatically be made available."

Spain (oral statement)

PARAGRAPH 3

CTIP text:

3. All useful information concerning formalities for filing applications for licences shall be published by the government which imposes or maintains the licensing requirement, as far in advance as possible of any opening date for submission of applications for licences.

Proposed amendments:

- amend to read:

"All information concerning procedures for filing licence applications shall be published by the government issuing the licence, as far in advance as possible of opening dates for submission of licence application."

United States (MTN/NTM/W/88)

Information and publication

PARAGRAPH 4

CTIP text:

4. All relevant information shall be provided to governmental authorities, upon their request, concerning the administration of import restrictions, the import licences granted over a recent period, and the distribution of such licences among supplying countries, including wherever possible names of importing enterprises on a confidential basis.

Proposed amendments:

- delete the phrase:

"including wherever possible names of importing enterprises on a confidential basis."

Canada (MTN/NTM/W/11/Add.7)
Ecuador/Andean Group (oral statement)
Japan (oral statement)
Nordic Countries (oral statement)
South Africa (oral statement)
Spain (oral statement)
- amend to read:

"Adherents shall, upon request, supply all relevant information to other adherents concerning the administration of import restrictions, the import licences granted over a recent period and the distribution of such licences among supplying countries, including wherever agreed to by importing enterprises, the names of those enterprises."

Australia (written notification)  
New Zealand (oral statement)

- add additional sentence:

"When adherents which are members of a customs union allocate an import quota among members of the union in fixed proportions, the allocations should, on request, be disclosed to other adherents."

Australia (written notification)  
New Zealand (oral statement)

- add in the third line after "and": "where practicable"

Ecuador (oral statement)  
Japan (oral statement)

- delete in the second line "... the administration of import restrictions,"

Ecuador (oral statement)  
Spain (oral statement)

- amend to read:

"All relevant statistical information shall be provided to governmental authorities, upon their request, concerning the import licences granted over a recent period and where possible the allocation of these licences among supplying countries."

Mexico (written notification)

- amend to read:

"Governments issuing licences shall, upon request, provide all relevant information concerning the administration of import restrictions, the licences granted over a recent period, distribution of licences among supplying countries, the distribution of licences among customs union or free-trade area members and, wherever agreed to by importing enterprises, the names of those enterprises."

United States (MTN/NTM/W/88)
PARAGRAPH 5

CTIP text:

5. In the case of licences for import restrictions involving fixed quotas the overall amount of quotas, by quantity or value, including revisions during the quota period, of goods that could be imported during that specified period, dates of opening of quotas and, where applicable, the amount allocated by country, shall be published.

Proposed amendments:

- Delete the word "fixed" in the phrase "involving fixed quotas".

  United States (MTN/NTM/W/11/Add.5)

- As above and add: "as far as practicable" at the end of the paragraph.

  Japan (oral statement)

- Amend to read:

  "Governments issuing licences to administer quotas shall publish the overall amount of quotas by quantity or value, opening and closing dates of quotas, where applicable, quota allocations by country, and revisions affecting the goods imported during the quota period."

  United States (MTN/NTM/W/88)

Licence applications and distribution of licences

PARAGRAPH 6

CTIP text:

6. Any person, firm or institution which fulfils the legal requirements shall, to the extent possible, having regard to the provisions of paragraph 14 below, be equally eligible to apply for licences and to get their applications considered accordingly.

Proposed amendments:

- Delete the phrase:

  "having regard to the provisions of paragraph 14 below" and add after the words "legal requirements" the phrase "of each country".

  Mexico (written notification)
- amend to read:

"Any person, firm or institution shall, to the extent possible, be equally eligible to apply and be considered for a licence. If the licence application is refused, the applicant shall, on request, be given the reasons for such refusal, and shall have the right of appeal."

United States (MTN/NTM/W/88)

PARAGRAPH 7

CTIP text:

7. A reasonable period shall be allowed for submission of applications for licences.

Proposed amendments:

see United States proposal under paragraph 8*

PARAGRAPH 8

CTIP text:

8. Application forms and procedures for application and, where applicable, renewal shall be as simple as possible.

Proposed amendments:

"Application forms shall be as simple as possible. No document shall be required on application other than a pro forma invoice, or where strictly indispensable, other documents necessary to determine the nature and composition of the product."

* "Application and extension procedures shall be as simple as possible. Applicants shall have to approach only one administrative organ for a licence, and shall be allowed a reasonable period to submit applications. The processing period shall be as short as possible, and applications with easily rectifiable errors shall not be refused."

United States (MTN/NTM/W/88)

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1 This amendment covers also paragraph 10.
2 This amendment covers also paragraph 9.
9. The period for processing of applications shall be as short as possible.

Add new paragraph to read:

"Priority shall be given to licence applications for replacement parts to ensure the timely delivery of parts essential to the functioning of previously imported equipment."

United States (MTN/NTM/W/88)

10. In the event of refusal of an application, the applicant shall be given on request the reasons for such refusal and shall have the right of appeal.

Proposed amendments:
- add a second sentence to read as follows:

"In exceptional cases, e.g. in the interest of public security, the reasons may be withheld."

Hong Kong (MTN/NTM/W/11/Add.1)

- see United States proposal under paragraph 6

11. The validity of the licence shall be of reasonable duration, and in no case, except in special cases where imports are necessary to meet unforeseen short-term requirements, so short as to prevent imports from countries situated at a distance, taking into account transport and communications conditions.
Proposed amendments:

- amend to read:

"the period of licence validity shall allow suppliers to receive, process, ship and receive payment for imports, and shall not preclude imports from distant sources, except in special cases where imports are necessary to meet unforeseen short-term requirements."

United States (MTN/NTM/W/88)

PARAGRAPH 12

CTIP text:

12. When administering quotas, the authorities of the importing country shall take all possible steps to ensure that licences will be issued and importation can be effected within the period prescribed for this purpose and to facilitate the full utilization of the quotas.

Proposed amendments:

- amend to read:

"When administering quotas, the authorities of the importing country shall take all possible steps to ensure that licences will be issued and importation can be effected within the period prescribed for this purpose and to facilitate the full utilization of the quotas, wherever for reasons of economic policy, the conditions under which the quotas under reference were established remain in existence, in the opinion of the governments which established those quotas."

Mexico (MTN/NTM/W/11/Add.8)

- amend to read:

"Governments issuing licences shall take all possible steps to encourage the full use of quotas, taking into account inter alia whether or not licence holders have used licences issued in previous periods, and shall ensure that licences will be issued and importation can be effected within the prescribed period."

United States (MTN/NTM/W/88)

1 This amendment covers also paragraph 13.
PARAGRAPH 13

CTIP text:

13. The administrative authority issuing the licence shall take into account inter alia whether licences issued to the applicant in previous periods have been utilized or not.

Proposed amendments:

- amend to read:

"The administrative authority issuing the licence may take into account inter alia whether licences issued to the applicant in previous periods have been utilized or not, for which purpose it may require the production of the appropriate evidence."

Mexico (MTN/NTM/W/11/Add.8)
New Zealand (oral statement)

- see United States proposal under paragraph 12.

PARAGRAPH 14

CTIP text:

14. Licences should not be issued to importers for goods in such small quantities as to make imports uneconomical and, so far as consistent with this, should not be allocated to an unduly small number of importers.

Proposed amendments:

- delete the paragraph.

Mexico (MTN/NTM/W/11/Add.8)
Spain (oral statement)

- amend to read:

"Import licences shall not be restricted to such small quantities as to make imports uneconomic and shall not be distributed to an unduly small number of importers. There shall also be a reasonable distribution of
licences to new importers, taking into account the desirability of issuing licences for goods in economic quantities."

United States (MTN/NTM/W/88)

PARAGRAPH 15

CTIP text:

15. Consideration shall be given to ensuring a reasonable distribution of licences to new importers, taking into account the desirability of issuing licences for goods in economic quantities.

Proposed amendments:

- amend to read:

"Consideration shall be given to ensuring a reasonable distribution of licences to new importers taking into account the desirability of issuing licences for goods in economic quantities and also the rights of traditional importers especially where quotas are applied for emergency protection purposes."

Australia (written notification)
New Zealand (oral statement)

- replace "consideration shall be given to ensuring" by "There shall be".

Canada (MTN/NTM/W/11/Add.7)
Nordic Countries (oral statement)

- replace by the following text:

"In the distribution of licences, developed countries should reserve a substantial share to new importers, in the case of new products originating in developing countries; in addition, they should authorize a larger number of licences for traditional imports originating in developing countries."

Mexico (MTN/NTM/W/11/Add.8)
Nigeria (oral statement)

- see United States proposal under paragraph 14.

This amendment covers also paragraph 15.
PARAGRAPH 16

CTIP text:

16. In the case of quotas administered through licences which are not allocated among supplying countries, licence holders shall be free to choose the sources of imports.

Proposed amendments:

- add at the end: "but in accordance with international agreements"

New Zealand (oral statement)

- add at the end: "with the exception of supplying countries with which no trade relations are maintained and under international agreements".

Mexico (MTN/NTM/W/11/Add.8)

- amend to read:

"Licence holders shall be free to choose import sources when the government issuing the licence does not allocate quotas among supplying countries. However, where quotas are allocated among supplying countries, those countries shall be clearly stipulated on the licence."

United States (MTN/NTM/W/88)

PARAGRAPH 17

CTIP text:

17. In the case of quotas allocated among supplying countries, the licence shall clearly stipulate the country or countries from which imports must be made.

Proposed amendments:

- see United States proposal under paragraph 16.

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1 This amendment covers also paragraph 17.
PARAGRAPH 18

CTIP text:

18. Imports of goods under restrictions should, wherever practicable, be allowed on the basis of normal customs procedures, or in accordance with procedures worked out in agreement between exporting and importing countries, on the basis of export permits issued by the exporting countries.

Proposed amendments:

- replace "normal customs procedures" with "import permits issued by importing countries".

Australia (written notification)

- see United States proposal under paragraph 19*

- add in the second line a comma after the word "or"

Hong Kong (oral statement)

- delete the paragraph

Spain (oral statement)

PARAGRAPH 19

CTIP text:

19. Where export permits are issued by exporting countries according to a procedure worked out in common agreement with an importing country, but where the importing country for certain purposes requires import licences, the latter shall be issued automatically, within the limit of the quotas, in accordance where appropriate with the provisions of Annex I.

Proposed amendments:

- replace paragraphs 18 and 19 by the following:

"No information or documents other than those necessary for normal customs clearance shall be required to accompany licensed imports."
Imports subject to both import and export licences shall, wherever practicable, be allowed on the basis of licences issued by the exporting country, or in accordance with procedures worked out between exporting and importing countries. However, in cases where the importing country requires an import licence for certain purposes, the import licence shall, upon request, be issued within the limit of the import restriction.
ANNEX III

In the Sub-Group's discussion at technical level on 7-8 March 1977 the following points were, inter alia, raised which relate to both the draft texts on Automatic Import Licensing and on Licensing to Administer Import Restrictions:

- Should the codes be self-contained legal instruments without any reference to the General Agreement or, if this were not the case, what should the relationship of non-contracting parties to the GATT be with regard to the codes.

- Is differential and more favourable treatment for developing countries feasible and appropriate in the area of import licensing procedures and what contributions could these countries make in this area of the MTN.

- Should import licensing systems be permitted to discriminate between sources of imports.

- Should these systems be applicable to the importation of all products.

Among the problems relating only to Automatic Import Licensing were the following:

- Should the notion of automatic licensing be clearly defined and should the scope and the purpose of the draft text be further clarified.

- Do automatic licensing systems serve a legitimate purpose or should these systems be phased out by a certain date.

- To what extent are safeguard aspects involved in automatic licensing systems.

- Should the question of automatic export licensing be included in the work of the Sub-Group.

On Licensing to Administer Import Restrictions, the following issues were raised inter alia:

- Should the title and text of the draft refer to import licensing procedures applied for purposes other than to administer import restrictions (e.g. for economic development purposes).

- Should discretionary licensing systems be included.

- Should the text be applicable to legal and illegal restrictions.

- How can a distinction be made between the import restrictions themselves and the licensing procedures used to administer them.