

GENERAL AGREEMENT ON TARIFFS AND TRADE

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SUGGESTIONS FOR STANDARD PRACTICES UNDER THE ADMINISTRATION OF IMPORT LICENCE AND EXCHANGE CONTROLS TO MINIMIZE COMMERCIAL UNCERTAINTIES AND HARDSHIPS

Statement submitted by the United States Delegation

It is one of the prime objectives of the GATT and of the International Monetary Fund that quantitative restrictions and exchange controls should eventually be eliminated, and exception is made only for emergency periods and specially justified conditions. Unfortunately, however, conditions have not yet allowed many countries to give up these methods of direct control of their import trade, and the exigencies of the rearmament program might further postpone the date of their withdrawal. For so long as they are maintained, therefore, it seems important to reduce the undue uncertainties and hardships to merchants resulting from the varying and unpredictable operation of such trade controls. It is believed that this can be done without weakening the essential effectiveness of the measures of control.

Such uncertainties and hardships can be minimized by the general adoption of the best present practices of those governments which have given most attention to their methods of operating these trade controls. In effect, such adoption would constitute merely a fuller implementation of the general provisions and intent of the GATT. In addition to meeting the complaints of the traders, the general adoption of such practices would minimize the accumulation of international commercial debts, and would avoid abrupt interruptions in the flow of commodities between countries.

As a basis for discussion, the United States suggests the following standards:

1. The granting of an import licence should carry with it assurance that any foreign exchange necessary for payment will be obtainable when due. When both import licences and exchange permits are required, the operation of the two requirements should be co-ordinated. If more than one rate of exchange applies in payment for imports, the import licence or exchange permit should fix the type of exchange which shall apply in the settlement for the particular transaction.
2. Any additional or more burdensome conditions on importation should not apply to shipments of goods already en route from point of origin in the supplying country at the time the change is announced or, alternatively, which arrive within 30 days thereafter, at the option of the government.
3. To minimize undue hardship to merchants, goods proven to have been covered by confirmed prior order at the time the change was announced, and not marketable elsewhere without appreciable loss, or already paid for or covered by an irrevocable letter of credit, should receive special consideration on an individual case basis, provided their delivery can be completed within a specified period.

Such exempt transitional shipments may be counted against any specific import quota or exchange allocation that may be established for the particular class of goods. This practice is to apply to goods en route (or delivered within 30 days), provided for in point 2, as well as to these individual hardship cases.

4. The administrative formalities in connection with the issuance of import licences or exchange permits should be designed to allow action upon applications within a reasonably short period. Such a licence or permit should be valid for a sufficient period to allow reasonably for the preparation and delivery of the shipments, taking into account the character of the commodity and the conditions of transport from the country of origin, and should be subject to extension when unusual or uncontrollable circumstances prevent its utilization within the original period.

5. Under a system involving the fixing of specific quotas for particular classes of goods or of allocations of exchange in payment for them, any period that may be set within which applications for such quotas or allocations need to be received should be sufficient to allow for the exchange of communications with likely foreign suppliers and the conclusion of purchase contracts.

6. When foreign products subject to quantitative limitations are apportioned among importers largely in the light of their past participation in the trade, a reasonable share - up to say 15-20 per cent of the total admissible quantity - should be available for qualified and financially responsible newcomers.

7. Goods officially designated as "prohibited except under licence" but in which a substantial continuing flow of trade is actually being authorized, should be treated like other products subject to quantitative limitation, and be subject to similar allocations and administrative practices.

8. If assurance regarding the issue of an import licence is required as a condition of consular legalization of the shipping documents in the country of exportation, a communication from the prospective importer giving the number of the import licence should suffice.

9. Customs officials should be authorized to allow reasonable tolerance for variations in the quantity or value of individual shipments as delivered from that specified in the prior import authorization, in accordance with the character of the product involved and other extenuating circumstances.

10. In case of foreign exchange shortage, payment for foreign products already delivered, which have complied with any pertinent requirements in effect at the time of shipment, should ordinarily have prior claim over new orders upon the exchange availabilities, or at least should have a definite share in their allocation. Secondly, consideration should be given to providing funds for goods already licenced for importation but not yet delivered.

It is suggested that a practicable method for the adoption of these standards by the Contracting Parties be in the form of a report incorporating these standards and agreed to by the CONTRACTING PARTIES.