

Committee on Customs Valuation

SEVENTH ANNUAL REVIEW OF THE IMPLEMENTATION  
AND OPERATION OF THE AGREEMENT

Background Working Document by the Secretariat

Article 26 of the Agreement on Implementation of Article VII of the General Agreement on Tariffs and Trade provides that "the Committee shall review annually the implementation and operation of this Agreement taking into account the objectives thereof".

The main objectives of the Agreement are those listed in the Preamble. The annual review of the Committee should cover the operation of the Agreement as a whole, as well as action by Parties to ensure proper implementation and operation of the Agreement in the light of its objectives and specific obligations.

This document, which is a revision of document VAL/W/45 that the Committee had before it when undertaking its seventh annual review at its meeting of 9 November 1987, takes into account the points made during the review and the work of the Committee at that meeting as a whole. The information in it was valid as of 31 December 1987.

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1. ACCESSIONS, ACCEPTANCES AND RESERVATIONS

(a) Status of accessions and acceptances

Mexico accepted the Agreement on 24 July 1987, ad referendum. Mexico invoked the provisions of paragraphs 1 and 2 of Article 21 and paragraphs 4 and 5 of Section I of the Protocol (VAL/31).

Zimbabwe accepted the Agreement on 23 October 1987 and will be implementing the Agreement from 1 January 1988. Zimbabwe invoked the provisions of paragraph 2 of Article 21 and paragraphs 4 and 5 of Section I of the Protocol (VAL/32).

Spain has notified on 25 November 1987 that, as a member State of the European Economic Community, it would withdraw from the Agreement in its individual capacity with effect from 25 January 1988 (VAL/34).

The number of signatories is twenty-seven. The acceptances of the Agreement by Mexico and Turkey remain subject to ratification. The delegation of Turkey reported on developments with regard to ratification at the meetings of 11 May and 9 November 1987 (VAL/M/20, paragraph 14; VAL/M/21, paragraph 7).

(b) Terms of acceptance

In regard to terms of acceptance, the special provisions available for developing countries have been invoked as follows:

(i) Article 21.1 (delayed application of the provisions of the Agreement)

Argentina	(1 January 1988 - see VAL/M/14, paragraph 58)
India	(1 October 1987 - see below)
Malawi	(22 December 1988)
Mexico	
Turkey	

In response to a request from India for an extension of its period of delay, under the provisions of paragraph I:2 of the Protocol (VAL/17), the Committee had taken the decision on 23 January 1986 contained in paragraph 9 of document VAL/M/16, extending the period of delay until 1 July 1987 and containing a number of other provisions. (For further details, see the 1986 report, VAL/28, page 2.) At its meeting on 11 May 1987, the Committee discussed a request by India (VAL/30) for a three-month extension of the period of delay before application of the provisions of the Agreement. It was agreed to grant the requested extension, i.e. until 1 October 1987. At its meeting on 9 November 1987, the Committee noted that India had not been in a position to apply the provisions of the Agreement within the agreed time-limit; legislative authorities in India were currently considering the enactment of the necessary amendments to the customs legislation which would enable India to fulfill its obligations under the Agreement in the near future.

(ii) Article 21.2 (delayed application of the computed value method)

Argentina  
India  
Mexico  
Turkey  
Zimbabwe

In the decision of 23 January 1986 concerning the extension of India's period of delay before application of the provisions of the Agreement (see (i) above), the Committee noted that, under Article 21.2 of the Agreement, India would delay the application of Article 1.2(b) (iii) and Article 6 for a further period of two years after the application of all other provisions of the Agreement.

(iii) Protocol, paragraph I:3 (reservation concerning minimum values)

Brazil  
India

According to a Committee decision of 13 June 1986, Brazil may retain officially established minimum values on products listed in VAL/W/36 and Add.1 until 23 July 1988 and containing a number of other provisions (VAL/M/18, paragraph 3). At its meeting of 10 November 1986, the Committee had considered questions regarding certain subsequent modifications to the list of products subject to such values (VAL/25). At its meetings of 11 May and 9 November 1987, the Committee was informed that the two reference prices in question relating to rotary offset machines and polycarbonates, had ceased to be in force as from 31 January 1987 and that consultations were held between Brazil and one Party following the latter Party's request that further items be removed from the list subject to reference prices, pursuant to paragraph 2 of the Committee's decision of 13 June 1986.

(iv) Protocol, paragraph I:4 (reservation concerning reversal of sequential order of Articles 5 and 6)

Argentina  
Brazil  
India  
Malawi  
Mexico  
Turkey  
Zimbabwe

(v) Protocol, paragraph I:5 (reservation concerning application of Article 5.2 whether or not importer so requests)

Argentina  
Brazil  
India  
Mexico  
Turkey  
Zimbabwe

2. COMPOSITION OF THE COMMITTEE ON CUSTOMS VALUATION

Chairman: Mr. D. Satherstrom (Canada)  
Vice-Chairwoman: Ms. M. McDonald (Australia)

Signatories

Argentina	Korea, Republic of
Australia	Lesotho
Austria	Malawi <sup>1</sup>
Botswana	Mexico <sup>1</sup>
Brazil	New Zealand
Canada	Norway
Czechoslovakia	Romania
European Economic Community and its member States	South Africa
Finland	Sweden
Hong Kong	Switzerland
Hungary	Turkey <sup>1</sup>
India	United States
Japan	Yugoslavia
	Zimbabwe

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<sup>1</sup>Subject to ratification.

Observers

(i) Governments:

Bangladesh	Nicaragua
Bulgaria	Nigeria
Cameroon	Pakistan
Chile	Peru
People's Republic of China	Philippines
Colombia	Poland
Côte d'Ivoire	Singapore
Cuba	Sri Lanka
Ecuador	Thailand
Egypt	Trinidad and Tobago
Indonesia	Zaire
Israel	
Malaysia	

(ii) International Organizations:

Customs Co-operation Council (permanent observer)  
IMF  
UNCTAD

3. MEETINGS OF THE COMMITTEE

Since the sixth annual review, the Committee has held two meetings, on 11 May and on 9 November 1987. The minutes of these meetings are contained respectively in documents VAL/M/20 and VAL/M/21. The Chairman's notes on these meetings are in documents L/6171 and L/6263, respectively.

4. NATIONAL LEGISLATION PRESENTED

Article 25 of the Agreement requires each Party to inform the Committee of any changes in its laws and regulations relevant to the Agreement and in the administration of such laws and regulations. At its first meeting the Committee agreed on procedures for the submission of the complete texts of national legislation (VAL/M/1, paragraph 37).

Since the sixth annual review, the following additional texts of national legislation, regulations and administrative procedures have been submitted:

Argentina	VAL/1/Add.22
Brazil	VAL/1/Add.20/Suppl.1
Canada	VAL/1/Add.17/Suppl.3
Czechoslovakia	VAL/1/Add.18/Suppl.1/Corr.2
Korea, Republic of	VAL/1/Add.19/Suppl.2/Corrs.1-2
Lesotho	VAL/1/Add.21/Suppl.1
South Africa	VAL/1/Add.15/Suppl.3

At its second meeting, the Committee had decided that Parties should provide written responses to a checklist of issues concerning their national laws, regulations etc. (VAL/M/2, paragraph 52). At its meeting of 13 November 1985, the Committee had added two questions to the checklist (VAL/M/14, paragraph 55). Since the last annual review, replies to the revised checklist of issues have been submitted by Argentina, (VAL/2/Rev.2/Add.4), Brazil (VAL/2/Rev.2/Add.3) and the European Economic Community (VAL/2/Rev.1/Add.6/Suppl.1).

A complete listing of national legislation and replies to the checklist of issues communicated to the Committee is at Annex I of this note.

The Committee has continued its detailed consideration of national implementing legislation. During the year it has concluded its examination of the legislation of Czechoslovakia, the Republic of Korea and Lesotho.

The Committee has reviewed the status of the application of the Decision on the Treatment of Interest Charges in the Customs Value of Imported Goods (VAL/6/Rev.1) and of paragraph 2 of the Decision on the Valuation of Carrier Media Bearing Software for Data Processing Equipment (VAL/8 and Add.1), on the basis of information made available by Parties (most recently summarized in document VAL/W/34/Rev.3). At the meeting of 11 May 1987, one Party noted that some Parties had not notified the date from which the decision on interest charges would be applied. It was agreed that Parties which had not yet done so, should furnish the required information.

It might also be noted that the Technical Committee has established procedures for the dissemination of information on publications relating to national legislation where the texts in question are not covered by the procedures of the Committee on Customs Valuation, and for the circulation of declaration forms for customs value. The Technical Committee also publishes an Index of rulings and conclusions on valuation questions issued by Parties. Details of information available through the Technical Committee are at Annex II of this note. It might be noted that no changes have occurred since the 1986 annual report.

5. AMENDMENTS, INTERPRETATIONS, RECTIFICATIONS, ETC. OF THE TEXT OF THE AGREEMENT

During the year under review, the Committee has not dealt with any of these matter.

Texts adopted by the Technical Committee in 1987 are listed in Section 10.

6. OTHER DECISIONS TAKEN BY THE COMMITTEE

At the meeting of 11 May 1987, the Committee agreed to grant observer status to the People's Republic of China along the same lines as in other Committees established under other MTN Agreements and Arrangements, and on the same conditions as those applied to other observers.

7. TECHNICAL ASSISTANCE

Technical assistance aimed at providing information to assist countries in their consideration of joining the Agreement and at helping countries in their preparations for the application of the Agreement has continued to be a matter of high priority to Parties, the Committee on Customs Valuation and the Technical Committee. Technical assistance is being made available to both developing country Parties and other developing countries interested in the Agreement.

Information on technical assistance activities relating to the Agreement is contained in a working document (VAL/W/29/Rev.2) which reproduces information contained in CCC document 33.797. Further information was provided at the Committee meetings of 11 May and 9 November 1987 by Argentina and New Zealand (VAL/M/20, paragraph 70; VAL/M/21, paragraph 49).

8. INFORMATION AND ADVICE FROM THE TECHNICAL COMMITTEE, AND GENERAL REPORT ON THE TECHNICAL COMMITTEE

Detailed oral reports on the work of the thirteenth and fourteenth sessions of the Technical Committee, held 2-6 March 1986 and 5-8 October 1987 respectively, were presented by the Chairman of that Committee to the meetings of the Committee on Customs Valuation of 11 May and 9 November 1987 respectively.

At its meeting of 11 May 1987, the Committee took note of a statement by the observer for the Customs Co-operation Council concerning the conclusions of a special meeting on Valuation, which had been held under its auspices 11-13 March 1987.

9. SUBSTANTIAL DIFFICULTIES ENCOUNTERED BY PARTIES IN APPLYING THE AGREEMENT

As in previous years of operation of the Agreement, no Party has reported any substantial difficulty with applying the Agreement.

## 10. CONSULTATION AND DISPUTE SETTLEMENT

The secretariat is not aware of any Party that has requested consultations under Article 19 of the Agreement. The provisions of Article 20 have not been resorted to.

## 11. PANELISTS

In accordance with paragraph 2 of Annex III of the Agreement, which states that each Party shall be invited to indicate at the beginning of every year to the Chairman of the Committee the name(s) of one or two governmental experts whom the Parties would be willing to make available for panel work, the following Parties have nominated persons who would be available to serve on panels in 1988: Canada, the European Communities, Hong Kong, Japan, the Republic of Korea, Norway, Sweden and the United States.

## 12. OTHER MATTERS RELATING TO IMPLEMENTATION

### (i) Private companies engaged in Customs Valuation

The Committee continued its discussion of questions concerning private companies engaged in customs valuation on behalf of governments. At its meetings of 11 May and 9 November 1987, one Party introduced a document (VAL/W/43) on its experiences with pre-shipment inspection and containing suggestions for possible further work in the GATT. In response to the Committee's invitation to observers to give their views, one observer introduced a document setting out the position of this government in regard to the employment of pre-shipment inspection companies (VAL/W/44). A number of other delegations, including observers, made statements under this item. It was agreed to keep the matter on the agenda.

### (ii) Botswana's status as a GATT contracting party

The Agreement had entered into force for Botswana on 12 September 1984. Botswana had acceded on terms agreed by the Committee at its meeting of November 1983 (VAL/M/8, paragraph 9 and Annex I), reflecting the fact that Botswana was applying the General Agreement on Tariffs and Trade on a de facto basis.

With effect from 28 August 1987, Botswana has become a contracting party to the General Agreement.

### (iii) Use of various valuation methods by Parties

It will be recalled that, at its meeting of 10-11 November 1983, the Committee agreed that a new data collection exercise should be postponed until additional countries were applying the Agreement, and decided to revert to this question at an appropriate future meeting. The question was not taken up in 1987.

(iv) Transmission of information to the Negotiating Group on MTN Agreements and Arrangements

In order to provide the Negotiating Group on MTN Agreements and Arrangements (NG8) with information on its work, the Committee authorized the Chairman, at its meeting on 9 November 1987, to transmit to the NG8 the notes by the Chairman, issued in the L/- series of documents after each meeting of the Committee. Furthermore, it took note of one Party's view on the need to secure the Committee's contribution to the discussion of issues relating to customs valuation in the NG8 and agreed to revert to various suggestions on ways of ensuring further transparency on particular aspects of its work at its future meetings.

13. ANNUAL REPORT TO THE CONTRACTING PARTIES

The Committee adopted its annual report to the CONTRACTING PARTIES at its meeting of November 1987 in accordance with the requirements of Article 26 of the Agreement (L/6266).

14. GENERAL APPRECIATION OF EXPERIENCE WITH IMPLEMENTATION AND OPERATION OF THE AGREEMENT

As in previous years, Parties have indicated general satisfaction with their experience with the operation and implementation of the Agreement, which has continued to contribute towards the realization of its objectives and to creating improved conditions for the conduct of international trade. While some two-thirds (see Annex III) of international trade is already subject to the provisions of the Agreement, this contribution would be enhanced by the adoption of the Agreement by more countries.

ANNEX I

Information on National Legislation

Below are listed the references to the documents containing national laws, regulations etc. and replies to the Checklist of Issues (VAL/2/Rev.1 and Rev.2) received from signatories.

<u>Signatory</u>	<u>National legislation</u>	<u>Replies to the Checklist of Issues</u>
Argentina	VAL/1/Add.22	VAL/2/Rev.2/Add.4
Australia	VAL/1/Add.14 + Suppl.1	VAL/2/Rev.1/Add.12
Austria	VAL/1/Add.10	VAL/2/Rev.1/Add.3 + Suppl.1
Botswana	VAL/1/Add.16	Not received
Brazil	VAL/1/Add.20 + Suppl.1	VAL/2/Rev.2/Add.3
Canada	VAL/1/Add.17 + Suppl.1-3	VAL/2/Rev.1/Add.14
Czechoslovakia	VAL/1/Add.18 + Suppl.1/ Corr.1-2	VAL/2/Rev.1/Add.15 + Suppl.1
European Economic Community	VAL/1/Add.2 + Suppl.1-9	VAL/2/Rev.1/Add.6 + Suppl.1
Finland	VAL/1/Add.4 + Suppl.1-2	VAL/2/Rev.1/Add.5
Hong Kong	VAL/1/Add.9	Not applicable
Hungary	VAL/1/Add.6	VAL/2/Rev.1/Add.4
India	Not yet applying the Agreement	
Japan	VAL/1/Add.7	VAL/2/Rev.1/Add.8
Korea, Rep. of	VAL/1/Add.19 + Suppl.1-2 + Suppl.2/Corr.1	VAL/2/Rev.2/Add.1 + Suppl.1
Lesotho	VAL/1/Add.21 + Suppl.1	VAL/2/Rev.2/Add.2
Malawi	Not yet applying the Agreement	
Mexico	Not yet applying the Agreement	
New Zealand	VAL/1/Add.12 + Suppl.1	VAL/2/Rev.1/Add.10
Norway	VAL/1/Add.11 + Corr.1 + Suppl.1-2	VAL/2/Rev.1/Add.7
Romania	VAL/1/Add.8 + Suppl.1	VAL/2/Rev.1/Add.9
South Africa	VAL/1/Add.15 + Corr.1 + Suppl.1-3	VAL/2/Rev.1/Add.13
Sweden	VAL/1/Add.3	VAL/2/Rev.1/Add.2 + Suppl.1
Switzerland	VAL/1/Add.5	Not applicable
Turkey	Not yet applying the Agreement	
United States	VAL/1/Add.1 + Suppl.1-5	VAL/2/Rev.1/Add.1
Yugoslavia	VAL/1/Add.13	VAL/2/Rev.1/Add.11
Zimbabwe	Not yet applying the Agreement	

ANNEX II

Information relevant to the implementation and administration of the Agreement disseminated through the Technical Committee

A. Dissemination of information on national legislation, etc.

The Technical Committee has established procedures for the dissemination of information on national publications relating to the adoption and implementation of the Agreement other than those texts circulated to the Committee on Customs Valuation under the procedures relating to the notification of national legislation. The following Parties have informed the Technical Committee, in the CCC documents specified, of publications that they would make available on request:

<u>Party</u>	<u>CCC document number</u>
Australia	28.311
Canada	28.619 and 29.275
European Economic Community	27.182
Japan	27.182
New Zealand	29.939
Sweden	27.703
United States	27.292 and 28.109

B. Declaration forms

Declaration forms for valuation purposes of the following Parties have been circulated in the CCC documents indicated:

<u>Party</u>	<u>CCC document number</u>
Austria (provisional translation)	29.276
Canada	32.005, 32.459, 32.942
European Economic Community	26.916
Finland	27.484
Japan	27.473
New Zealand	29.938
Norway	32.211
Sweden	28.225

C. Index of rulings

The Technical Committee has included in its compendium on the Agreement an index listing rulings and conclusions on valuation questions issued by countries applying the Agreement. Parties interested in a particular ruling can request the full text from the issuing administration.

ANNEX III

Trade subject to Code on Customs Valuation - 1986  
(US\$ billion)

	<u>Imports c.i.f.</u>	<u>Shares</u>
Total World Imports	1748.00 <sup>1</sup>	100.0
of which:		
Signatories		
applying Code:		
Australia	26.10	1.5
Austria	28.85	1.5
Brazil	15.55	0.9
Botswana	0.70	0.0
Canada	85.65 <sup>2</sup>	4.9
Czechoslovakia	20.85 <sup>1</sup>	1.2
EEC	329.10 <sup>1</sup>	18.8
Finland	15.35	0.9
Hong Kong	35.35	2.0
Hungary	15.25	0.9
Japan	127.55	7.3
Korea, Rep. of	31.60 <sup>3</sup>	1.8
Lesotho	0.35 <sup>3</sup>	0.0
New Zealand	6.05	0.3
Norway	20.30 <sup>2</sup>	1.2
Romania	10.75 <sup>2</sup>	0.6
South Africa	13.00	0.7
Sweden	32.70	1.9
Switzerland	41.05	2.3
United States	387.10	22.1
Yugoslavia	11.75 <sup>1</sup>	0.7
Sub-Total	1252.95 <sup>1</sup>	71.7
Signatories which have delayed application of the Code:		
Argentina	4.70	0.3
India	15.40	0.9
Malawi	0.25	0.0
Mexico	12.00	0.7
Turkey	11.05	0.6
Sub-Total	43.40	2.5
Total of Signatories	1296.35 <sup>1</sup>	74.2

<sup>1</sup> Excluding trade between EEC member States.

<sup>2</sup> Imports f.o.b.

<sup>3</sup> 1985 imports, c.i.f.