

GENERAL AGREEMENT ON

RESTRICTED

VAL/39

20 March 1990

Special Distribution

TARIFFS AND TRADE

Committee on Customs Valuation

NINTH ANNUAL REVIEW OF THE IMPLEMENTATION
AND OPERATION OF THE AGREEMENT

Background 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/50 that the Committee had before it when undertaking its ninth annual review at its meeting of 10 October 1989, takes into account the points made during that review and the work of the Committee at that meeting as a whole. The information in it was valid as of 10 March 1990.

The contents of this document are as follows:

	<u>Page</u>
1. Accessions, acceptances and reservations	2
2. Composition of the Committee on Customs Valuation	4
3. Meetings of the Committee	5
4. National legislation presented	5
5. Amendments, interpretations and rectifications of the text of the Agreement	6
6. Technical assistance	6

	<u>Page</u>
7. Information and advice from the Technical Committee, and general report on the Technical Committee	6
8. Substantial difficulties encountered by Parties in applying the Agreement	7
9. Consultation and dispute settlement	7
10. Panelists	7
11. Other matters relating to implementation	7
12. Annual report to the CONTRACTING PARTIES	7
13. General appreciation of experience with implementation and operation of the Agreement	8

1. ACCESSIONS, ACCEPTANCES AND RESERVATIONS

(a) Status of accessions and acceptances

The number of signatories is twenty-eight.

Cyprus accepted the Agreement on 24 May 1989. The Agreement thereby entered into force for Cyprus on 23 June 1989.

(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)

Malawi	(22 December 1988)
Mexico	(10 March 1993)
Turkey	(12 February 1994)

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

Argentina
India
Mexico
Turkey
Zimbabwe

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

India

(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. A. Rodin (Sweden)
Vice-Chairman: Mr. P. Cheung (Hong Kong)

Signatories

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

Observers

(i) Governments:

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

(ii) International Organizations:

Customs Co-operation Council (permanent observer)
IMF
UNCTAD

3. MEETINGS OF THE COMMITTEE

Since the eighth annual review, the Committee has held two meetings, on 21 March 1989 and on 10 October 1989. The minutes of these meetings are contained respectively in documents VAL/M/24 and VAL/M/25. The Chairman's notes on these meetings are in documents L/6495 and L/6601, 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 eighth annual review, the following additional texts of national legislation, regulations and administrative procedures have been submitted:

Argentina	VAL/1/Add.22/Suppl.2
Australia	VAL/1/Add.14/Suppl.3
Austria	VAL/1/Add.10/Suppl.1
Cyprus	VAL/1/Add.26
Korea, Rep. of	VAL/1/Add.19/Suppl.3 and Corr.1
	VAL/1/Add.19/Suppl.4

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).

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 India.

Information on 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), made available by Parties is summarized in document VAL/W/34/Rev.4. At the meeting of 11 May 1987, it was agreed that Parties which had not yet done so, should furnish the required information on date from which the Decision on interest charges would be applied.

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.

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

During the year under review, the Committee has discussed the problem of linguistic consistency in the first sentence of paragraph 1 of both the Note to Article 2 and the Note to Article 3 of the Agreement.

Texts adopted by the Technical Committee in 1989 are listed in Section 7.

6. 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.4) which reproduces information contained in CCC document 35.210. Further information was provided at the Committee meeting of 21 March on an information seminar organized by the Government of Mexico in March 1989 (VAL/M/24, paragraphs 54-55).

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

Detailed oral reports on the work of the seventeenth and eighteenth sessions of the Technical Committee on Customs Valuation, held 14-17 March 1989 and 2-6 October 1989 respectively, were presented by the Chairpersons of that Committee to the meetings of the Committee on Customs Valuation of 21 March and 10 October 1989, respectively. At its March meeting the Technical Committee adopted the following advisory opinion.

- Conversion of currency in cases where the contract provides for a fixed rate of exchange.

At its October 1989 meeting the Technical Committee adopted the following instruments:

- two case studies dealing with the adjustments under Article 8.1(b) of the Agreement;
- a commentary on the application of deductive value methods;
- four examples to be added to the advisory opinion on currency conversion;
- a commentary regarding the treatment of related party transactions by the customs administrations.

The Committee on Customs Valuation took note of these reports and expressed its appreciation of the continued valuable work of the Technical Committee.

8. 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. One Party submitted a communication on the matter of burden of proof (VAL/W/51).

9. 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.

10. 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 1990: Canada, the European Communities, Finland, Hong Kong, Japan, the Republic of Korea, Norway, Sweden and the United States.

11. OTHER MATTERS RELATING TO IMPLEMENTATION

(i) 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 1989.

12. ANNUAL REPORT TO THE CONTRACTING PARTIES

The Committee adopted its annual report to the CONTRACTING PARTIES at its meeting of October 1989 in accordance with the requirements of Article 26 of the Agreement (L/6595).

13. 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 IInformation 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 + Suppl.1-2	VAL/2/Rev.2/Add.4
Australia	VAL/1/Add.14 + Suppl.1	VAL/2/Rev.1/Add.12 + Suppl.1
Austria	VAL/1/Add.10 + Suppl. 1	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
Cyprus	VAL/1/Add.26	
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.1-10	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	VAL/1/Add.24	VAL/2/Rev.2/Add.6
Japan	VAL/1/Add.7	VAL/2/Rev.1/Add.8
Korea, Rep. of	VAL/1/Add.19 + Suppl.1-4 + Suppl.2/Corr.1 + Suppl.3/Corr.1	VAL/2/Rev.2/Add.1 + Suppl.1
Lesotho	VAL/1/Add.21 + Suppl.1	VAL/2/Rev.2/Add.2
Malawi	-	
Mexico	VAL/1/Add.25	
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	
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	VAL/1/Add.23	VAL/2/Rev.2/Add.5

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
Hungary	34.898
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
India	35.197
Japan	27.473
Korea, Rep. of	34.294
New Zealand	29.938
Norway	32.211
Sweden	28.225
Yugoslavia	35.188

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 - 1987
(US\$ billion)

	<u>Imports c.i.f.</u>	<u>Shares</u>
Total World Imports of which:	2355.00 ¹	100.0
Signatories applying Code:		
Argentina	5.32	0.2
Australia	36.08	1.5
Austria	36.00	1.5
Brazil	16.05 ³	0.7
Botswana	0.85 ³	0.0
Canada	115.20 ²	4.9
Czechoslovakia	24.20 ²	1.0
EEC	458.00 ¹	19.4
Finland	21.14	0.9
Hong Kong	63.89	2.7
Hungary	17.40	0.7
India	19.17	0.8
Japan	187.38	8.0
Korea, Rep. of	51.81 ³	2.2
Lesotho	0.42 ³	0.0
New Zealand	7.35	0.3
Norway	23.15 ²	1.0
Romania	10.00 ²	0.4
South Africa	18.76	0.8
Sweden	45.63	1.9
Switzerland	56.49	2.4
United States	459.57	19.5
Yugoslavia	13.17 ³	0.6
Zimbabwe	1.21 ³	0.1
Sub-Total	1688.24 ¹	71.7
Signatories which have delayed application of the Code:		
Malawi	0.40	0.0
Mexico	19.60	0.8
Turkey	14.30	0.6
Sub-Total	34.30	1.4
Total of Signatories	1722.54 ¹	73.1

¹Excluding trade between EEC member States.

²Imports f.o.b.

³1987 imports, c.i.f.