

# GENERAL AGREEMENT ON TARIFFS AND TRADE

## Committee on Customs Valuation

### SECOND 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 Committee shall annually inform the CONTRACTING PARTIES to the GATT of developments during the period covered by such reviews".

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 background document is circulated by the secretariat on its own responsibility with the aim of facilitating the preparations by governments for, and the conduct of, the second annual review to be held at the November meeting of the Committee.

The information contained in this document has been made available in the normal course of the Committee's work and gives the situation as per the date of this document. The document may need to be revised after the review session, to take into account any additional points in order to give a full picture of the Committee's activities in 1982. It is recalled that the first annual review, covering the activities of the Committee in 1981, is contained in document VAL/W/4/Rev.1.

The contents of this document are as follows:

	<u>Page</u>
1. Composition of the Committee	2
2. Meetings of the Committee	3
3. Decisions taken by the Committee	3
4. National legislation presented (Article 25)	3
5. Reservations entered	3
6. Possible amendments and rectifications to the text of the Agreement	3
7. Possible requirements for amendment of the Agreement	4
8. Litigation in national or supranational courts hinging on the text of the Agreement	4

9. Technical assistance	4
10. Information and advice from the Technical Committee, and general report on the Technical Committee	5
11. Possible substantial difficulties encountered by Parties in applying the Agreement	5
12. Consultation and dispute settlement	5
13. Panelists	5
14. Other matters discussed by the Committee relating to implementation.	6

## 1. COMPOSITION OF THE COMMITTEE ON CUSTOMS VALUATION

Chairman: Mr. G.S. Sawhney (India)

Vice-Chairman: Mr. N. Kemmochi (Japan)

### Signatories

Argentina <sup>1</sup>	Korea, Republic of
Austria	New Zealand
Brazil	Norway
Canada	Romania
European Economic Community and its member States	Spain
Finland	Sweden
Hungary	Switzerland
India	United Kingdom for Hong Kong
Japan	United States
	Yugoslavia

### Observers

#### (i) Governments:

Australia	Nicaragua
Bangladesh	Nigeria
Bulgaria	Pakistan
Chile	Peru
Colombia	Philippines
Cuba	Poland
Czechoslovakia	Portugal
Ecuador	Singapore
Egypt	South Africa
Indonesia	Sri Lanka
Israel	Thailand
Ivory Coast	Trinidad and Tobago
Malaysia	Turkey
	Zaire

---

<sup>1</sup> Subject to ratification

(ii) International Organizations:

Customs Co-operation Council (permanent observer)  
IMF  
UNCTAD

2. MEETINGS OF THE COMMITTEE

Since the first annual review, the Committee on Customs Valuation has held meetings on 4-5 May 1982 and on 10-11 November 1982. Minutes of the first meeting are contained in VAL/M/4; the Note by the Chairman is contained in L/5320. Minutes of the second meeting will be circulated in VAL/M/5; the Note by the Chairman is contained in L/5416.

3. DECISIONS TAKEN BY THE COMMITTEE

During the period under review, the Committee has taken no formal decisions.

4. NATIONAL LEGISLATION PRESENTED

Since the first annual review, the following additional texts of national legislations were submitted in accordance with the decision adopted by the Committee at its meeting on 13 January 1981 (VAL/M/1, paragraph 37):

European Economic Community	VAL/1/Add.2/Suppl.3
New Zealand	VAL/1/Add.12
Yugoslavia	VAL/1/Add.13

Further replies to the revised checklist of issues (VAL/2/Rev.1) have been submitted by the following delegations:

New Zealand	VAL/2/Rev.1/Add.10
Romania	VAL/2/Rev.1/Add.9
Sweden	VAL/2/Rev.1/Add.2/Suppl.1

At the meetings held on 4-5 May 1982 and on 10-11 November 1982, the Committee held detailed discussions on the implementation and administration of the Agreement by the Parties as well as the Canadian draft legislation (VAL/M/4, paragraphs 6-22, VAL/M/5, item B).

5. RESERVATIONS ENTERED

The situation remains as described in the 1981 background document (VAL/W/4/Rev.1, paragraph 5) except that Yugoslavia has lifted its reservation under Article 21:1 of the Agreement and has implemented the Agreement as from 1 April 1982 (VAL/M/4, paragraph 4).

6. POSSIBLE AMENDMENTS AND RECTIFICATIONS TO THE TEXT OF THE AGREEMENT

At the third meeting of the Committee (VAL/M/3, paragraph 73), the Committee has agreed to take up the proposal by the European Economic

Community for an agreed interpretation of the word "undertaken". It has been proposed that the Committee confirm by way of an agreed interpretation that in Article 8.1(b)(iv) the English word "undertaken" was to be understood as meaning "carried out". Some delegations were still reserving their position on this matter. (VAL/M/4, paragraphs 28-35). At the November 1982 meeting, it was decided to take up the proposal at the Committee's next meeting.

7. POSSIBLE REQUIREMENTS FOR AMENDMENT OF THE AGREEMENT

(a) The Committee had detailed discussions on proposals concerning decisions designed to clarify the treatment of interest charges for deferred payment in the customs value of imported goods (VAL/W/13) on the one hand and the valuation of computer software (VAL/W/14) on the other. These proposals will be further considered at the Committee's next meeting in March 1983.

(b) The first proposal on the treatment of interest charges would provide that charges for interest payable under a financing arrangement relating to the purchase of the imported goods, which are distinguished from the price actually paid or payable for those goods shall not be regarded as part of that price in determining the customs value, regardless of whether the finance is provided by the seller, a bank or another person.

The second proposal on the valuation of computer software would provide that in determining the customs value of imported carrier media with data or instructions recorded thereon, only the price actually paid or payable for the carrier medium itself shall be taken into account and that the customs value shall not, therefore, include the value of the data or instructions, provided that this is distinguished from the price actually paid or payable.

8. LITIGATION IN NATIONAL OR SUPRANATIONAL COURTS ON THE TEXT OF THE AGREEMENT

No reports were received in this respect from the Parties.

9. TECHNICAL ASSISTANCE

This matter has continued to remain on the agenda as an important item of the Committee's work. Delegations from developed countries reported on technical assistance extended and expressed their willingness to assist developing countries, whether signatories or not, also in the future.

In this context, it was reported that a number of seminars for developing countries were being organized. In early December 1982, a seminar will be held in Manila for member States of ASEAN. A request had been received by the European Communities from the Latin American

Association of Integration (ALADI) for a second seminar; a one-week seminar was held in Montevideo in October 1981 with the participation of officials from eight out of the eleven countries of ALADI. Other requests received by the EC are from the Caribbean Common Market (CARICOM) and from Kenya; these seminars are expected to be held in the first half of 1983.

As part of the Programme for the Eighties adopted by the Customs Co-operation Council in June 1982, a training programme on valuation for developing countries is being set up. The CCC training course will consist of four elements: principles of customs valuation, administration of customs valuation, enforcement of the Agreement and training of trainers.

All Parties and observers have in the discussions stressed the importance of training programmes and seminars which in their view make a significant contribution to the successful implementation of the new valuation system.

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

A detailed oral report on the work of the third and fourth session of the Technical Committee was presented by the Chairman of that Committee (VAL/M/4, paragraph 28-30, VAL/M/5, item E).

11. SUBSTANTIAL DIFFICULTIES ENCOUNTERED BY PARTIES IN APPLYING THE AGREEMENT

No substantial difficulties have been encountered by Parties in applying the Agreement. On the contrary, all Parties recognize that the new valuation system has resulted in a uniform, fair, and greatly simplified system for the valuation of imported products. A significant benefit of the new valuation system to both customs and the traders has been the degree of certainty in determining the customs value of imported products and the amount of duties. In a report recently issued by the General Accounting Office of the United States, it was pointed out that changes to the valuation system in the United States have saved time and money and improved the efficiency of the preparation and the processing of formal entries.

12. CONSULTATION AND DISPUTE SETTLEMENT

No Party has requested consultations under Article 19 of the Agreement, nor have the provisions of Article 20 been resorted to.

13. PANELISTS

In accordance with paragraph 2 of Annex III of the Agreement 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: European Economic Community, Finland, India, Japan, Norway, Spain, Sweden, United Kingdom for Hong Kong, United States.

14. OTHER MATTERS DISCUSSED BY THE COMMITTEE RELATING TO IMPLEMENTATION

Use of various valuation methods by Parties

The Committee had an exchange of views on the question of collecting additional and more detailed information relating to the use of valuation methods applied for all customs entries, including the volume of trade, on the basis of statistics collected by the Parties during an identical time period. In this connection, the Technical Committee on Customs Valuation of the Customs Co-operation Council has been requested to prepare proposals for a methodology. This matter will be further considered by the Committee at a future meeting.