

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

VAL/W/4/Rev.1

17 November 1981

Special Distribution

Committee on Customs Valuation

FIRST 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 first annual review to be held at the November meeting of the Committee.

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¹The first annual review was held by the Committee on 4-5 November 1981.

1. COMPOSITION OF THE COMMITTEE ON CUSTOMS VALUATION

Chairman: Mr. E.-A. Hörig (Federal Republic of Germany)

Vice-Chairman: Mr. M. Pullinen (Finland)

Signatories

| | |
|--|------------------------------|
| Argentina ¹ | Korea, Republic of |
| Austria | Norway |
| Brazil | Romania |
| Canada | Spain |
| European Economic Community and its member States | Sweden |
| Finland | Switzerland |
| Hungary | United Kingdom for Hong Kong |
| India | United States ² |
| Japan | Yugoslavia ² |

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 |
| New Zealand | Zaire |

(ii) International Organizations:

Customs Co-operation Council (permanent observer)

IMF

UNCTAD

2. MEETINGS OF THE COMMITTEE

Since the entry into force of the Agreement on 1 January 1981, the Committee on Customs Valuation has held two meetings, on 13 January 1981 and on 5 May 1981.³ Minutes of those meetings are contained in VAL/M/1 and 2; the notes by the Chairman are contained in L/5097 and L/5139.

¹ Subject to ratification

² Subject to approval

³

A third meeting of the Committee was held on 4-5 November 1981 (minutes of the meeting: VAL/M/3; note by the Chairman: L/5236)

3. DECISIONS TAKEN BY THE COMMITTEE

- a) Procedures for the participation of observers (L/5097, Annex and VAL/M/1, Annex 1)
- b) Procedures for reservations (VAL/M/1, Annex 2)
- c) Notification and circulation of national legislation (VAL/M/1, paragraph 37)(see also paragraph 4 below)
- d) Circulation and derestriction of documents (VAL/M/1, paragraphs 17-18)

4. NATIONAL LEGISLATION PRESENTED

A. At its meeting on 13 January 1981, the Committee adopted the following decision on notification and circulation of national legislation in accordance with Article 25 of the Agreement:

- (i) Parties will submit the complete texts of their national legislation (laws, regulations, etc.) on customs valuation in one of the three official GATT languages as soon as possible to the Secretariat which will circulate them as Committee documents to other Parties in the language submitted. If a general interest is expressed in the Committee that the text of a particular Party be available also in other official GATT languages, this text will be translated and circulated as a Committee document. In those cases where the national legislation is not in an official GATT language, the original texts shall also be submitted to the secretariat where they will be open for inspection.
- (ii) It is understood that the texts of the national legislation of developing countries availing themselves of the provisions of Article 21, paragraphs 1 and 2 of the Agreement will be supplied to the Committee before the developing countries begin the application of the provisions of the Agreement and the Protocol.

The texts of national legislation submitted in accordance with this decision were reproduced in VAL/1 and Addenda and Supplements, as follows:

| | |
|-----------------------------|---------------------------|
| Austria | VAL/1/Add.10 |
| European Economic Community | VAL/1/Add.2 and Suppl.1-2 |
| Finland | VAL/1/Add.4 and Suppl.1 |
| Hungary | VAL/1/Add.6 |
| Japan | VAL/1/Add.7 |
| Norway | VAL/1/Add.11 and Corr. 1 |
| Romania | VAL/1/Add.8 |
| Sweden | VAL/1/Add.3 |
| Switzerland | VAL/1/Add.5 |
| Hong Kong | VAL/1/Add.9 |
| United States | VAL/1/Add.1 and Suppl.1-3 |

B. At its meeting on 13 January 1981 the Committee decided that a checklist of issues relating to national legislation on customs valuation

should be established which would serve as a basis for an initial examination of the legislation of Parties in the Committee. At its meeting of 5 May 1981, the Committee further decided that Parties should reply in writing to the points contained in a revised checklist of issues contained in VAL/2/Rev.1. Replies have been submitted by the following delegations:

| | |
|-----------------------------|-------------------------------|
| Austria | VAL/2/Rev.1/Add.3 and Suppl.1 |
| European Economic Community | VAL/2/Rev.1/Add.6 |
| Finland | VAL/2/Rev.1/Add.5 |
| Hungary | VAL/2/Rev.1/Add.4 |
| Japan | VAL/2/Rev.1/Add.8 |
| Norway | VAL/2/Rev.1/Add.7 |
| Sweden | VAL/2/Rev.1/Add.2 |
| United States | VAL/2/Rev.1/Add.1 |

At both meetings, the Committee has held detailed discussions on the implementation and administration of the Agreement by the Parties.

5. RESERVATIONS ENTERED

a) Reservations under Article 21:1

Argentina (1 January 1986)
 Brazil (1 January 1986)
 India (1 January 1986)
 Korea (1 January 1986)
 Spain (no time specified)
 Yugoslavia (1 March 1982)

b) Reservations under Article 21:2

Argentina
 India
 Korea
 Spain

c) Reservations under Paragraph 3 of the Protocol

Brazil
 India

d) Reservations under Paragraph 4 of the Protocol

Argentina
 Brazil
 India

e) Reservations under Paragraph 5 of the Protocol

Argentina
 Brazil
 India

f) Other reservations

Canada has made the following reservation:

"Notwithstanding Articles 24 and 25 of the Agreement on the Implementation of Article VII of the General Agreement on Tariffs and Trade (hereinafter referred to as the Valuation Agreement) Canada will implement the Valuation Agreement no later than 1 January 1985 provided that before that date there has been agreement under Article XXVIII of the GATT on such adjustments in Canadian tariff rates as may be needed to maintain tariff protection at the levels that would prevail were Canada not to implement the Valuation Agreement."

6. AMENDMENTS AND RECTIFICATIONS TO THE TEXT OF THE AGREEMENT

A proposed rectification to the French text of the Agreement (Annex I - Interpretative Note to Article 8:1(c)) was circulated in VAL/W/1. Since no objections were raised within the time-limit provided for, the change became effective on 27 February 1981 (see GLI/277).

7. POSSIBLE REQUIREMENTS FOR AMENDMENT OF THE AGREEMENT

There have been no indications of any need to amend the Agreement.

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

The Committee agreed that this was an important item which should appear on the agenda as a permanent point in order that specific requirements of developing countries for technical assistance relating to customs valuation could be reviewed. A plea was made that developing countries examine their needs in this area and present their requests as soon as possible.

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

At its first meeting on 13 January 1981 the Committee agreed on certain points for inclusion in the initial work programme of the Technical Committee on Customs Valuation (see Annex 3 of VAL/M/1).

At the meeting held on 5 May 1981 a detailed oral report on the work of the first session of the Technical Committee was presented by the chairman of that Committee (VAL/M/2, paragraph 76). The Committee expressed its appreciation for the work undertaken by the Technical Committee and by the CCC secretariat.

11. SUBSTANTIAL DIFFICULTIES ENCOUNTERED BY PARTIES IN APPLYING THE AGREEMENT

No substantial difficulties have been encountered by Parties in applying the Agreement.

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 names(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 : Canada, European Economic Community (Belgium, Denmark, France, Federal Republic of Germany, Ireland, Italy, Netherlands, United Kingdom), Finland, India, Japan, Romania, Spain, Sweden, United Kingdom for Hong Kong, United States.

14. OTHER MATTERS DISCUSSED BY THE COMMITTEE RELATING TO IMPLEMENTATION

a) Procedures for accession of non-contracting parties

At its meeting on 13 January 1981 the Committee agreed that the question of accession to the Agreement of countries which are not contracting parties to the GATT could be taken up at a later stage if a particular case presented itself.

b) Use of various valuation methods by Parties

At its first meeting in January 1981 the Chairman suggested that Parties request their customs authorities to collect data on the method of valuation applied for all customs entries during a certain period of time. This would enable Committee members to find out to what extent various provisions of the Agreement had been used in its actual implementation in individual countries, and would furthermore give a valuable indication to observers about the operation of the Agreement.

At the May meeting it was concluded that the exercise was a useful one and that it was for each Party to decide which methodology and time period for the collection of data it would use. The data should be provided on a percentage basis with reference to each valuation method and should be accompanied by an indication of the way they had been arrived at.

At its meeting on 4-5 November 1981, the Committee had an exchange of views on the basis of communications received from the following delegations:

European Economic Community
Finland

VAL/W/5/Add.1
VAL/W/5/Add.6

Hungary
Japan
Romania
Sweden
United States

VAL/W/5/Add.7
VAL/W/5/Add.2/Rev.1
VAL/W/5/Add.5
VAL/W/5/Add.3
VAL/W/5/Add.4

A survey of the results received to date of this exercise based on different sampling methods is annexed to this background document.

ANNEX

Use of Various Valuation Methods

(percentage figures calculated on the basis of
entries, not trade weighted)

| | Article 1 | Article 2 | Article 3 | Article 5 | Article 6 | Article 7 |
|---------------|-----------|-----------|-----------|-----------|-----------|-----------|
| EEC | 95.4 | 0.3 | 0.2 | 2.1 | - | 2.0 |
| Finland | 93.1 | 0.3 | 0.1 | - | - | 6.5 |
| Hungary | 86.8 | 10.9 | 2.3 | - | - | - |
| Japan | 96.6 | 1.4 | 0.1 | 0.3 | 0.5 | 1.1 |
| Romania | 100.0 | - | - | - | - | - |
| Sweden | 99+ | - | - | - | - | - |
| United States | 94.0 | 1.0 | 0.5 | 1.0 | 2.0 | 1.5 |