

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

L/4037

4 June 1974

Limited Distribution

Original: French

CUSTOMS TARIFF OF ROMANIA

Explanatory Memorandum on the Role of the Tariff

At the meeting of the Council on 28 March 1974, the representative of Romania stated that his delegation was ready to prepare a memorandum explaining the rôle of the new Romanian customs tariff (see document C/M/94).

The memorandum has just been received, and is reproduced below.

As agreed at the meeting of the Council, contracting parties wishing to submit questions in writing concerning this new tariff are requested to send them to the secretariat by 8 July 1974.

MEMORANDUM

Concerning the Import Customs Tariff of the Socialist Republic of Romania

Romania's foreign trade is in a continual process of improvement. The principal improvements introduced in recent years have been:

1. The adoption of Law No. 1 concerning foreign trade and economic, technical and scientific co-operation activities, published in Official Gazette No. 33 of 17 March 1971, established an appropriate framework for direct participation by producing units in international economic exchanges. Under the Law, foreign trade activities are the responsibility of the producing centrals and enterprises, which carry them out through their own services or through specialized foreign trade enterprises. They choose their partners on the basis of commercial criteria.
2. By Decree No. 15/1971, published in Official Gazette No. 10 of 27 January 1971, foreign commercial corporations and economic organizations were granted the right to open permanent offices and agencies in Romania, in order to ensure better contacts between their headquarters and the Romanian partners. As at 20 May last, 126 offices and agencies belonging to foreign corporations had been authorized to function in Romania.

3. By the adoption of Decrees Nos. 424 and 425, published in Official Gazette No. 121 of 4 November 1972, authorization was given for the establishment of mixed corporations, with foreign participation, for the purpose of producing and marketing goods, of furnishing services or of carrying out work projects. To date four mixed corporations have been established in Romania, in the chemical, electro-technical and mechanical engineering sectors, and negotiations in respect of some ten other projects are at an advanced stage. Romania also participates in more than thirty mixed corporations engaged in trade, production and banking, with headquarters abroad.

4. Law No. 19 concerning the régime in respect of prices and tariffs, published in Official Gazette No. 154 of 16 December 1971, provides for the improvement of rules and basic criteria for the determination and application of prices in the national economy. Under this Law, prices and tariffs must reflect the social costs of production, thus allowing the producing units to make comparisons between the prices of various domestic products and those of like imported products.

5. Within the context of this continuing process of improving the organization of the economy and of foreign trade, Law No. 12, on the import customs tariff of the Socialist Republic of Romania was adopted and was published in Official Gazette No. 92 of 25 June 1973.

The customs legislation is designed to ensure broader use of economic and financial instruments in foreign trade activities and a better relationship between import prices and domestic prices of imported products, to give importers a direct interest in purchasing products of like quality more cheaply, and to ensure rational and more effective participation by Romania in the international division of labour.

The introduction of Romania's import customs tariff is not intended to strengthen the degree of protection of the national economy or to reduce imports. The customs legislation is designed to rationalize imports and ensure that they are effected in more efficient conditions.

Because of the fact that the Romanian tariff system ensures the application of like treatment to imports of goods originating in all countries that maintain trade relations with Romania, it is consistent with the provisions of Article I of the General Agreement. The Law states that the duties provided in the customs tariff are applicable to imports originating in countries which apply the most-favoured-nation clause to Romania. Imports from countries which do not apply the most-favoured-nation clause to Romania may be subject to increased duties. No such increased duties have yet been applied.

The Law also provides the possibility of charging higher customs duties on goods originating in countries which increase the customs duties on imports from Romania.

The Romanian customs Law stipulates in Article 1, fourth paragraph, that: "the import customs tariff does not apply to imports of goods from countries with which trade is carried out on the basis of international agreements and protocols without the levying of customs taxes". This provision offers the possibility to Romania of participating in the formation of free-trade areas or customs unions, and also in other arrangements concerning the movement of goods free of customs duties, while observing the provisions of the General Agreement in this respect. To date, Romania has not concluded any agreements or protocols of the kind mentioned in Article 1, fourth paragraph.

Under Romania's customs legislation duty-free quotas can be established for economic reasons, and exemptions or reductions of customs duties may be granted temporarily on imports of certain goods.

Customs duties are applied on the customs value of the imported goods, which under the customs Law, corresponds to the free-at-Romanian-frontier import price, converted into lei by application of a customs valuation coefficient of lei 20 for US\$1.

6. In pursuance of the customs Law, the Council of Ministers of the Socialist Republic of Romania has adopted Decision No. 1395 for the sanctioning and application of the import customs tariff of Romania; the Decision was published in Official Gazette No. 179-180 of 17 November 1973.

The classification of goods is based on the Brussels Tariff Nomenclature, Romania being a member of the Brussels Customs Co-operation Council. The customs duties laid down in the Romanian tariff are ad valorem duties.

Under Law No. 1/1971, the economic unit establish their import plans on the basis of prospection in foreign markets, their own studies, and external contracts.

The Romanian customs tariff ensures that import prices are reflected in the domestic prices of imported products and the profits of the importing enterprises, thus being one of the decisive factors in the elaboration of import plans by economic units.

As a general rule, the import prices of goods are converted into lei, and the amount of the customs duties is then added in order to obtain the domestic delivery price. The domestic delivery price thus calculated, is included in the cost price and in the profit of the economic unit, constituting one of the factors on the basis of which the producing enterprises decide, in the short term as well as within the framework of their long-term development programmes, whether to obtain their supplies in the domestic market or abroad, and to make provision in their import plans for the purchase of various goods.

The general rule as set forth above, is applied to imports of products in the following group: complex installations, machines, equipment, assemblies, sub-assemblies and spare parts designed for investment, production and maintenance purposes; in 1972, these accounted for 46.1 per cent of Romania's overall imports.

In the case of consumer goods, the difference between the customs value plus the customs duties and internal tax, on the one hand, and the domestic price, on the other hand, is reflected in the profits of the importing units.

In view of the social significance of the delivery price of consumer goods for the population, these prices will not fluctuate from one day to the next in relation with the foreign import price. Retail prices will be modified in the event that, following an increase in the external price and/or the customs duties, the trade enterprises could suffer a deficit. In a situation where, following a decline in the external price and/or the customs duty, substantial profits accrue to the trade enterprise, the possibility is established of reducing the price to the consumer, and implicitly of an increase in imports of the products concerned.

In respect of imports of raw and primary materials, having regard to the substantial increase in prices of these products at world level, on 2 April the Romanian Government decided to suspend the customs duties on imports of such products for the whole of 1974.

The customs tariff of Romania is being applied experimentally as from 1 January 1974. After one year of experimental application, the tariff will be improved and applied definitively.

For the year 1974, Romania does not envisage replacing by tariff concessions its firm commitment to import from other contracting parties to the General Agreement, as laid down in the Protocol of Accession to GATT.

It is envisaged that after 1 January 1975, when the customs tariff will have become definitive, the existing commitment will be replaced vis-à-vis the GATT member countries by agreed bindings and reductions of customs duties, taking into consideration the level of Romania's economic development.

The introduction of the customs tariff will allow Romania to acquire a better place in the international division of labour and adequate participation, as a developing country, in the multilateral trade negotiations as well as in the trade negotiations among developing countries, and will ensure appropriate conditions for attainment of Romania's economic development objectives and for narrowing the differences existing between Romania and the developed countries.