

GENERAL AGREEMENT ON TARIFFS AND TRADE

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THE USE OF ARBITRARY OR EXCESSIVE VALUES IN LEVYING CUSTOMS DUTIES

Note by the Danish Delegation

In several instances, the sale of Danish products in foreign markets is hampered by the fact that the customs authorities of the importing countries do not base their valuation for duty purposes on the Danish exporter's selling price but use excessive values in levying customs duties.

The Danish authorities are aware that the principles applied by certain countries for fixation of dutiable value result in values which exceed the Danish exporter's invoice price, in spite of the fact that the selling price quoted by Danish exporters is not lower than what is normal for similar transactions in international trade, and notwithstanding that Danish enterprises enjoy no form of government support, and consequently have to sell their products on ordinary business terms.

(a) Valuation for customs purposes on the basis of current home market prices of domestic products

This valuation method is used in the United States (American Selling Price), inter alia with regard to certain organic chemicals and dyestuffs. In some instances the use of this method has resulted in the levy of customs duties representing 50-100 per cent of the Danish exporter's selling price; in some cases it has even prevented sale in the American market. There are examples of Danish exporters having had their products valued on the basis of the American industry's home market prices, while in other markets they have had to compete with the American industry at substantially lower price levels.

(b) Valuation for customs purposes on the basis of the exporting country's home market prices

This valuation method is used, inter alia, in the United States, Canada, Australia, New Zealand and the Republic of South Africa. In a number of instances it has resulted in the levy of unreasonably high duties to the detriment

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of Danish exports. The Danish home market prices on which the valuation is based apply to sales in small quantities on terms of sale other than those applicable to export sales in large quantities, and subject to the ordinary terms of international trade.

Specialization is a factor of prime importance to Danish industry. This often entails that only a minor portion of the Danish production can be sold in the home market. As a case in point it may be mentioned that Denmark exports considerable quantities of vitamin preparations in consignments of up to five tons, while domestic sales are effected in quantities ranging between 100 kgs and 10 kgs. When the valuation of large consignments is based on the prices applicable to the limited sales on the home market, as is the case in the United States, the value used in the levy of customs duty will exceed the Danish export price by about 50 per cent. Similarly, in the United States, Canada, Australia, and the Republic of South Africa, the valuation of certain sugar confectioneries (branded goods) is based on the current home market price. In Denmark this price includes considerable sales and advertising costs, whereas the importers, having to bear the sales cost themselves in their respective countries, can only pay the Danish exporters a substantially lower price. Furthermore, New Zealand has valued large consignments of medical instruments on the basis of the Danish retail price, which includes considerable service costs.

Denmark hopes that it will be possible to agree upon such general rules on the valuation of goods for customs purposes as would prevent the use of excessive values in levying customs duties from placing increased obstacles in the way of export transactions effected on normal international terms, to the detriment of international trade and international specialization. Such rules should also enable traders to estimate in advance with a reasonable degree of certainty the value for customs purposes.