

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

L/5729

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REPORT (1984) OF THE COMMITTEE ON CUSTOMS VALUATION

1. The Agreement on Implementation of Article VII of the General Agreement on Tariffs and Trade entered into force on 1 January 1981. The following are Parties to the Agreement and members of the Committee established under it: Argentina¹, Australia, Austria, Botswana, Brazil, Canada, Czechoslovakia, European Economic Community, Finland, Hungary, India, Japan, Republic of Korea, Malawi, New Zealand, Norway, Romania, South Africa, Spain, Sweden, Switzerland, United Kingdom for Hong Kong, the United States and Yugoslavia. Of these, Australia, Austria, Botswana, Czechoslovakia, the European Economic Community, Finland, Hungary, Japan, New Zealand, Norway, Romania, South Africa, Sweden, Switzerland, the United Kingdom for Hong Kong, the United States and Yugoslavia are applying the Agreement, while the other countries have delayed the application of the Agreement under the provisions of Article 21.1 or under a reservation.

2. The following twenty-two contracting parties have observer status: Bangladesh, Chile, Colombia, Cuba, Egypt, Indonesia, Israel, Ivory Coast, Malaysia, Nicaragua, Nigeria, Pakistan, Peru, Philippines, Poland, Portugal, Singapore, Sri Lanka, Thailand, Trinidad and Tobago, Turkey and Zaire. Two non-contracting parties, Bulgaria and Ecuador, are also observers. In view of the special responsibilities and functions assigned to it under the Agreement, the Customs Co-operation Council has been accorded permanent observer status. Two other international organizations (IMF and UNCTAD) have attended the meetings of the Committee in an observer capacity.

Developments since the Committee's last report (19 May 1983)

3. Since the Committee's last report, four countries have become members of the Agreement:

- (i) South Africa accepted the Agreement on 1 June 1983.
- (ii) Malawi accepted the Agreement on 22 November 1983. Malawi invoked the provisions of Article 21.1 and of paragraph 4 of the Protocol.
- (iii) Czechoslovakia accepted the Agreement, subject to ratification, on 2 April 1984, and deposited its instrument of ratification on 28 May 1984.

¹ Subject to ratification.

- (iv) Botswana acceded to the Agreement on 13 August 1984, in accordance with the provisions of Article 22.3, on the terms agreed by the Committee at its meeting of 10-11 November 1983 (VAL/M/8, paragraph 9 and Annex). Botswana is the first non-GATT contracting party to have acceded to the Agreement.

4. During the reporting period the Committee has held four meetings:

10-11 November 1983 - (VAL/M/8 and L/5583)
26 April 1984 - (VAL/M/9 and L/5646)
24 September 1984 - (VAL/M/10 and L/5688)
9 November 1984 - (VAL/M/11 (to be issued) and L/5730)

5. At its November 1984 meeting, following consideration of the question of the accession of further countries to the Agreement, the Committee agreed that countries having observer status in the Committee would be invited to participate in informal consultations, to be organized by the secretariat, on the basis of a number of questions suggested by certain delegations. Also in connection with the accession of further countries, the Committee welcomed the Seoul Declaration adopted by the Customs Co-operation Council at its annual meeting in May 1984, which among other things urges all countries not yet Parties to the Agreement on Implementation of Article VII of the GATT to intensify their efforts to accede and implement it as soon as possible. The Committee agreed that the text of this Declaration should be circulated as a Committee document (VAL/12).

6. The Committee has continued its detailed examination of national implementing legislation. At its meeting in November 1983, the Committee undertook an examination of the Australian legislation; it also considered certain points regarding the implementation and administration of the Agreement by Canada and the United States. At its meeting in April 1984, the Committee undertook a detailed examination of the South African legislation; a number of questions concerning the South African legislation were raised at the Committee's November 1984 meeting. At its meetings in April and November 1984, points were also raised concerning the legislation of the European Communities and Australia. In addition, Canada informed the Committee of steps being taken to bring into force national legislation so as to apply the provisions of the Agreement as from 1 January 1985.

7. During the period under review, the Committee took the following decisions:

- (i) At its meeting of 26 April 1984, the Committee adopted the Decision on the Treatment of Interest Charges in the Customs Value of Imported Goods. At its meeting of 24 September 1984, the Committee agreed on a rectification to the French and Spanish texts of this Decision. The Decision, as rectified, is contained in document VAL/6/Rev.1. Information received from Parties concerning the application of this Decision has been circulated in document VAL/9 and Add.1.
- (ii) At its meeting of 24 September 1984, the Committee adopted the Decision on the Valuation of Carrier Media Bearing Software for Data Processing Equipment (VAL/8 and Add.1). Information

concerning the application of this Decision has been circulated in document VAL/11.

8. At its meetings of 26 April and 9 November 1984, the Committee considered a question raised by the Technical Committee relating to the linguistic consistency between the English, French and Spanish texts of the Agreement of the term "development" in Article 8.1(b)(iv) on the basis of a secretariat note (VAL/W/24) analysing the linguistic issue and putting forward a suggestion for a common interpretation of the term in the three languages. The Committee is to revert to this matter at its next meeting on the basis of a revised version of the secretariat note containing some additional clarifications.

9. Technical assistance aimed at providing information to assist developing 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 and to the Committee on Customs Valuation. At its meetings in November 1983 and in April and November 1984 the Committee was informed by Parties of their current technical assistance activities.

10. At its November 1983 meeting, the Committee further considered the question of collecting additional and more uniform information on the use by Parties of the various valuation methods provided for under the Agreement on the basis of recommendations for a common methodology made by the Technical Committee (VAL/W/17). It agreed that a new data collection exercise should be postponed until additional countries were applying the Agreement. It decided to revert to this question at an appropriate future meeting.

11. At its November 1983 meeting, the Committee considered a matter raised by the Technical Committee regarding the time standard for test values under Article 1.2(b) of the Agreement (VAL/W/18). The Committee requested the Technical Committee to pursue the formulation of an agreed text along the lines of that indicated in the report of the third session of the Technical Committee.

12. A detailed oral report on the work of the sixth session of the Technical Committee was presented by the Chairman of the Technical Committee at the meeting of the Committee of 10-11 November 1983. Detailed oral reports on the work of the seventh and eighth sessions of the Technical Committee were presented by the observer from the Customs Co-operation Council to the 26 April 1984 and 9 November 1984 meetings of the Committee on Customs Valuation respectively.

13. The Committee conducted its fourth annual review of the implementation and operation of the Agreement at its November 1984 meeting, on the basis of a background note prepared by the secretariat (VAL/W/25). It concluded that the experience of Parties applying the Agreement had led to general satisfaction on their part with its implementation and operation so far. One indication of this was that no substantial difficulties had been encountered so far by Parties in applying the Agreement and that no use had yet been made of the consultation and dispute settlement provisions of the Agreement. More positively, the Parties held the view that, in general, the Agreement had facilitated international trade and had proved, from the administrative point of view, to be practicable and reasonably uncomplicated. The Agreement had in general been welcomed by both customs

authorities and traders, as increasing the predictability of valuation determinations (and thus of duty payable) and, for the most part, the speed and efficiency of the processing of customs entries. With some two-thirds of world imports already subject to the Agreement, it had contributed towards greater uniformity in valuation practices between, as well as within, countries. It remained, however, a major objective of Parties to encourage more countries to accept the Agreement (see paragraph 5 above).