

GENERAL AGREEMENT ON

RESTRICTED

L/6266

26 November 1987

TARIFFS AND TRADE

Limited Distribution

REPORT (1987) 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: Argentina, Australia, Austria, Botswana¹, Brazil, Canada, Czechoslovakia, European Economic Community, Finland, Hong Kong, Hungary, India, Japan, Republic of Korea, Lesotho, Malawi, Mexico², New Zealand, Norway, Romania, South Africa, Spain, Sweden, Switzerland, Turkey², United States, Yugoslavia and Zimbabwe. Of these, Zimbabwe will apply the Agreement with effect from 1 January 1988. Argentina, India, Malawi, Mexico and Turkey have delayed the application of the Agreement under the provisions of Article 21.1. This delay was extended for India under the terms of paragraph I:2 of the Protocol until 1 October 1987.

2. The following contracting parties have observer status: Bangladesh, Cameroon, Chile, Colombia, Côte d'Ivoire, Cuba, Egypt, Indonesia, Israel, Malaysia, Nicaragua, Nigeria, Pakistan, Peru, Philippines, Poland, Singapore, Sri Lanka, Thailand, Trinidad and Tobago, and Zaire. Three non-contracting parties, Bulgaria, the People's Republic of China, 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 (20 November 1986)

3. During the reporting period the Committee has held two meetings:

11 May 1987 - (VAL/M/20 and L/6171); and

9 November 1987 - (VAL/M/21, to be issued and L/6263)

4. Since the Committee's last report two countries have become members of the Agreement: Mexico accepted the Agreement on 24 July 1987 ad referendum. Mexico invoked the provisions of paragraphs 1 and 2 of Article 21 and paragraphs 4 and 5 of Section I of the Protocol (VAL/31). Zimbabwe accepted the Agreement on 23 October 1987 and will implement the provisions of the Agreement with effect from 1 January 1988. Zimbabwe invoked the provisions of paragraph 2 of Article 21 and paragraphs 4 and 5 of Section I of the Protocol (VAL/33).

¹ Botswana became a GATT contracting party as of 28 August 1987.

² Subject to ratification.

5. The Committee was informed that as in the case of Portugal, Spain would withdraw from the Agreement in its individual capacity, remaining linked to it by virtue of its membership of the European Communities.
6. In response to a communication from the People's Republic of China dated 27 October 1986 expressing the wish to be represented in meetings of the Committee (VAL/M/19, paragraph 2), the Committee agreed on 11 May 1987 to grant observer status to the People's Republic of China on the same conditions as in other MTN Code Committees.
7. On 23 January 1986, the Committee had extended the period of delay before application of provisions of the Agreement by India until 1 July 1987 (VAL/M/16, paragraph 9) in response to a request by India under the provisions of paragraph I:2 of the Protocol (VAL/17). On 11 May 1987, the Committee agreed to a further extension of the period of delay by three months (VAL/30), until 1 October 1987. At its meeting on 9 November 1987, the Committee noted that India had not been in a position to apply the provisions of the Agreement, and in particular Article 25 thereof within the agreed time-limit; legislative authorities in India were currently considering the enactment of the necessary amendments to the customs legislation which would enable India to fulfill its obligations under the Agreement in the near future.
8. At its meeting on 11 May 1987, the Committee was informed that Brazil had withdrawn rotary offset machines and polycarbonates from the list of products subject to reference prices indicated in its reservation under paragraph I:3 of the Protocol (VAL/25). At its meeting of 9 November 1987, the Committee was informed that consultations were being held between Brazil and one Party following the latter Party's request, in the light of paragraph 2 of the Committee's decision concerning this reservation (VAL/M/18). Brazil was considering the removal of specific products from the coverage of its minimum value and reference price systems.
9. During the reported period the Committee addressed in detail the implementing legislation of Argentina, Brazil, Czechoslovakia, the Republic of Korea and Lesotho, on the basis of written and oral information provided by these countries. At its November meeting, while concluding its examination of legislation of Czechoslovakia and the Republic of Korea, the Committee encouraged the delegations of these two countries to submit any further changes to their legislation which members of the Committee could then examine. It also completed the examination of legislation of Lesotho. It will revert to the implementing legislation of Argentina and Brazil at its next meeting when it also expects to take up the legislation of India.
10. At its meeting on 9 November 1987, the Committee took note of the information (VAL/W/34/Rev.3) on the status of application of the Committee decision on the treatment of interest charges (VAL/6/Rev.1) and of paragraph 2 of the decision on the valuation of carrier media bearing software for data processing equipment (VAL/8) and invited all delegations that have not done so to submit the required information.

11. Detailed oral reports on the work of the thirteenth and fourteenth sessions of the Technical Committee, held respectively on 2-6 March and 5-8 October 1987 were presented by the Chairman of that Committee to the meetings of the Committee on Customs Valuation of 11 May and 9 November 1987. At its October meeting, the Technical Committee had adopted two instruments relating to technical matters: a commentary on the application of paragraph 2 of the decision of the Committee on Customs Valuation on the valuation of carrier media bearing software for data processing equipment (VAL/8) and an advisory opinion on the conversion of currency in cases where a contract provided for a fixed rate of exchange.
12. The Committee took note of a statement by the observer from the Customs Co-operation Council on the conclusions of a special meeting which had been held under the Council's auspices on 11-13 March 1987 with the purpose of giving non-Parties an opportunity to examine problems faced in connection with the possible adoption of the Agreement.
13. The Committee took note of current technical assistance activities on the basis of a summary note prepared by the Customs Co-operation Council, which was circulated as a Committee document (VAL/W/29/Rev.2), and of oral reports by Parties.
14. At its meetings on 11 May and 9 November 1987, the Committee pursued its discussion of questions concerning private companies engaged in customs valuation on behalf of governments. In this connection, one Party introduced document VAL/W/43 on its experiences with pre-shipment inspection and containing suggestions for possible further work in the GATT. In response to the Committee's invitation to observers to give their views (VAL/M/19, paragraph 64) one observer introduced a document setting out the position of his government in regard to the employment of pre-shipment inspection companies (subsequently issued as VAL/W/44). A number of other delegations, including observers, made statements under this item. At its meeting on 9 November 1987, the Committee noted the views expressed by several members that pre-shipment inspection programmes had an important rôle for certain non-signatory countries and that certain aspects of these practices may affect their future participation in the Agreement. Thus, it was agreed to keep the matter on the agenda pending the discussion of the broader trade issues in an appropriate forum.
15. The Committee held its seventh annual review under Article 26 at its meeting on 3 November 1987 on the basis of a background note by the secretariat (VAL/W/45).
16. In order to provide the Negotiating Group on MTN Agreements and Arrangements (NG8) with information on its work, the Committee authorized the Chairman, at its meeting on 9 November 1987, to transmit to the NG8 the notes by the Chairman, issued in the L/-series of documents after each meeting of the Committee. Furthermore it took note of one Party's view on the need to secure the Committee's contribution to the discussion of issues relating to customs valuation in the NG8 and agreed to revert to various suggestions on ways of ensuring further transparency on particular aspects of its work at its next meeting. The Committee also took note of a

proposal by India to the NG8. It was the view of some Parties that the implementation of Article 17 had not been a problem for countries actually applying the Agreement and that therefore they saw no need for the improvements in this respect as suggested.