

**NOTIFICATION CONCERNING THE DECISION UNDER PARAGRAPH 1
OF ANNEX III OF THE AGREEMENT ON THE IMPLEMENTATION
OF ARTICLE VII OF THE GENERAL AGREEMENT
ON TARIFFS AND TRADE 1994**

DOMINICAN REPUBLIC

The following communication, dated 8 March 2001, has been received from the Permanent Mission of the Dominican Republic.

The Permanent Mission of the Dominican Republic to the United Nations Office and Other International Organizations in Geneva has the honour to submit herewith the Second Report on progress in implementing the work programme, in accordance with the terms and conditions set out in the Decision concerning application of the Agreement, adopted on 3 March 2000 pursuant to paragraph 1 of Annex III of the Agreement on Customs Valuation.

The legal basis for the administration of customs in the Dominican Republic is Law 3489, which has been amended on several occasions over the course of time, and is currently subject to a draft amendment, under consideration in the National Congress. Some of the most important amendments concern the adjustment of the Dominican economy to take account of the world economic context, which requires the increasing liberalization of markets.

By the same token, the National Congress of the Dominican Republic enacted the Tariff Reform Act No. 146-00 and the Taxation Reform Act 147-00 on 27 December 2000. Both Acts are aimed at reducing reliance on foreign trade duties for tax revenue.

The Tariff Reform Act 146-00 established a structure based on the Harmonized Commodity Description and Coding System Nomenclature.

It amends Law 14-93, which approved the Dominican Customs Tariff, and establishes tariff rates on a scale of 0 per cent, 3 per cent, 8 per cent, 14 per cent up to a ceiling of 20 per cent, with the exception of goods contained in the Technical Rectification and in Law 72-00, which provides for changes to the pork and bovine meat tariff. Of the subheadings, 58.29 per cent are now subject to the 0 per cent and 3 per cent tariff, whereas previously only 5.82 per cent were in this category.

The reduction in tax revenue from customs duties is offset by the adoption of Act 147-00, which provides for an increase and a broadening of the tax base for domestic excise taxes such as the tax on transfer of goods and services (ITBIS) and the Selective Consumption Tax.

Article 6 of the Taxation Reform Act 47-00 provides: "For the valuation of goods in foreign trade, Article VII of the General Agreement on Tariffs and Trade (GATT) 1994 shall be applied". The Act also establishes penalties for any infringements.

The changes to the tax and tariff structures improve the Dominican Republic's capacity to compete with the countries with which it is entering into market blocs, through Free Trade Agreements such as CARICOM and CENTROAMERICA.

The House of Deputies of the Dominican Republic incorporated into national law, on 21 February 2001, the Free Trade Agreement between the Government of the Dominican Republic and the Caribbean Community (CARICOM), as well as the protocol for its implementation, and ratification of the Free Trade Agreement with Central America (CENTROAMERICA) is pending.

With regard to the efforts being made by the General Customs Directorate with a view to implementing the GATT 1994 Customs Valuation Agreement from 1 July 2001, the work completed in collaboration with the Technical Assistance Mission from 9 to 14 February was particularly significant.

The following points were among the issues dealt with during these working sessions:

- (a) **Regulations for the Application of the Agreement and the Value Declaration Form.** Both instruments were reviewed by the Mission, and its subsequent comments and recommendations have been implemented. The regulations are currently before the Executive Chamber, awaiting official approval.
- (b) **Determination of the situation concerning minimum values.** It has been decided that the Dominican Republic will accept paragraph 2 of Annex III of the Agreement, regarding the use of minimum values and, to this end, the customs administration is currently drawing up a list of products for which these values are to be applied, which will be submitted for the consideration and approval of the WTO Committee on Customs Valuation, before being negotiated with the other Member countries.

- (c) **Technological and Administrative Structure.** The Mission reiterated its recommendation that the organizational structure necessary for the application of the Agreement requires first of all the centralization of control of customs value.
- (d) **Review of the Values Database.** The Information Technology Department of the General Customs Directorate presented to the WTO Mission the new structure for the Reference Values Database, which will enter into force at the same time as implementation of the GATT 1994 Customs Valuation Agreement. The new structure incorporates different variables which will enable us to compare information and establish risk profiles.

The variables taken into consideration by this new model are as follows: type of importer, supplier, commercial level, type of goods, quantity of goods, condition of goods, products contained in the positive or negative lists of free trade agreements, products included in the technical adjustment, country versus agreements, etc.

- (e) **Alternative sources for consultation in order to establish value.** The WTO technical consultants recommended that we should seek the cooperation of the Secretariat for Central American Economic Integration (SIECA) in order to establish the truth or accuracy of value.
- (f) **Organization of a conference.** A conference entitled "The GATT Customs Valuation Agreement in the Context of Tariff Reform" was held on 12 February 2001 in the auditorium of the Central Bank of the Dominican Republic, with speakers from the WTO Technical Assistance Mission, and representatives of the various federations and associations of importers, industrialists, traders, together with customs officials, in attendance. The speakers explained the contents of the Agreement, highlighting the advantages and aids to importers, as well as customs duties at the point of application of the Agreement.
- (g) **Meetings with officials.** A meeting took place between the WTO Mission and the Ambassador to the WTO attached to the Ministry of Foreign Affairs, Ms. Maritza Amalia Guerrero, in which issues related to the valuation training programmes and local and regional seminars were discussed, as well as the possibility of arranging traineeships for officials from the Dominican Republic, at the customs administrations of countries already applying the Agreement. The Mission recommended the customs of Argentina, Chile, El Salvador and Costa Rica.

A meeting also took place with Technical Management customs staff in the Training Institute for Tax Officials (INCAT), at which, following the presentation of the GATT 1994 Valuation Code by the Mission's technical consultants, comments, questions and concerns were exchanged by the participants concerning valuation issues.

We have developed a work programme with a view to establishing the basis for implementation of the new valuation system, which we transmit herewith.

**WORK PROGRAMME OF THE TECHNICAL COMMISSION
FOR GATT VALUATION FOR THE PERIOD
15 FEBRUARY TO 30 JUNE 2001**

- Completion of corrections to the draft Value Declaration Form and the corresponding instructions.
- Holding of tests or meetings concerning the use of the Value Declaration Form, which will be sent to tax offices and users of the service represented by different associations for this purpose, who will be asked to submit their opinions and comments.
- Application for official approval for the Value Declaration Form from the office of the Comptroller General of the Dominican Republic.
- Participation of representatives from the Ministry of Finance, Ministry of Trade and Industry and Ministry of Foreign Affairs to be sought, in the work carried out with a view to drawing up the list of products for which minimum reference values shall be applied. The corresponding letter will be sent asking for experts to be sent from these Ministries.
- Setting up of technical units in the different administrations or tax offices, which will be responsible for prior customs value control.
- Development of the organizational structure of the Department of Value Control, specifying the functions to be carried out by the technical units. The Department of Organization and Method (O&M) will be responsible for this task and will propose its design.
- Drawing up of a schedule of internal and external training seminars. Holding of training workshops simultaneously in the various tax offices of a total duration of between 25 and 30 hours, according to a timetable of 4 p.m. to 7 p.m., Mondays, Wednesdays and Fridays.
- Programmes of traineeships for technicians to be arranged in countries which already apply the GATT Customs Valuation Agreement such as Argentina, Chile and El Salvador. Two missions consisting of two customs technicians and one information technology analyst will be sent and it is essential that these technicians should be members of the Technical Commission for GATT Valuation.
- Distribution to customs users of the brochure explaining the contents of the 1994 GATT Customs Valuation Agreement, which will be launched at a press conference organized for that purpose.
- Publication of a code containing the GATT Customs Valuation Agreement, together with its interpretative notes, as well as the regulations for applying the Agreement in the customs of the Dominican Republic.
- Holding of a survey among large importers, in order to identify the conditions and characteristics of the transactions in which they are involved. Creation of profiles of importers who pay royalties, who maintain relations with their suppliers and who possess integrity, etc.

- Analysis of the structure of the future reference values database to be set up in accordance with the GATT Agreement, in coordination with the Information Technology Department of the General Customs Directorate.
 - Organization of a pilot scheme for practical application of the Agreement, in the western Haina tax office, and subsequent evaluation.
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