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Committee on Customs Valuation

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COMMUNICATION FROM PERU CONCERNING ANNEX III, PARAGRAPH 1, OF THE AGREEMENT ON IMPLEMENTATION OF ARTICLE VII OF THE GENERAL AGREEMENT ON TARIFFS AND TRADE 1994

The following communication, dated 25 March 1999, has been received from the Permanent Mission of Peru.

The Permanent Mission of Peru to the United Nations Office and Other International Organizations at Geneva presents its compliments to the Secretariat of the World Trade Organization (WTO) and, with reference to Annex III, paragraph 1, of the Agreement on Implementation of Article VII of the General Agreement on Tariffs and Trade 1994 (former paragraph I.2 of the Protocol to the Agreement on Implementation of Article VII of the GATT), has the honour to inform it that the Government of Peru wishes to request an extension, for a two-year period, of the delay in the application of the provisions of the Agreement, which expires on 1 April 1999.

The Permanent Mission of Peru to the United Nations Office and Other International Organizations at Geneva attaches hereto an explanation of the grounds for this request.

REQUEST FOR AN EXTENSION OF THE DELAY IN THE APPLICATION OF THE WTO CUSTOMS VALUATION AGREEMENT

Background

In 1992 Peru launched a thorough-going reform of its Customs in order to create a modern service whose principle objectives are: facilitation of foreign trade operations, timely and efficient collection of foreign trade taxes, and prevention and suppression of smuggling and Customs tax fraud. The successes achieved have won it both national and international recognition as one of the most efficient and up-to-date institutions, and the World Customs Organization (WCO) has labelled it a Model Customs as regards reform and modernization.

Nevertheless, despite the progress made the reforms have not yet been completed, and there are further targets to be achieved in order to consolidate the changes carried out. In this endeavour, the Peruvian Customs Service has had the support of the Inter-American Development Bank, which has backed three technical cooperation agreements. The first and second of these were aimed at supporting the process of transforming the Customs, while the purpose of the third, currently under way, is to enable the Customs to implement a quality assurance system for its operational and administrative procedures, in accordance with the ISO 9000 Standard, and hence preserve the changes made. The Customs service has set itself the target of implementation of such a system by the end of the year 2000.

In recent years Peru has undertaken a major effort of data collection in order to establish a valuation database that will provide continuously updated information on transaction values of goods to the operational Customs offices and officials involved in the valuation or inspection process. Peru intends this database, the application of which will be fully compatible with the relevant provisions of the Customs Valuation Agreement, to become a useful tool for a modern Customs administration. However, uniform procedures must be in place for its application, and this will be achieved when the Customs services provided reach the levels laid down in international standards for quality assurance systems.

There has also been an increase in imports presenting a risk of valuation fraud and therefore the Peruvian Customs have been working hard to avoid possible cases of under-valuation in Customs operations.

In order to determine the value of imported goods, the Customs apply to imports of a value exceeding US\$5,000, with the exception of some commodities and motor vehicles regardless of value, the method used by the Customs is that of the normal competition price, which presents some variations with respect to the method set out in the Brussels Definition of Value. The normal price method is closely linked to actual commercial practices and is used by inspection companies to determine the Customs value on which the Customs will calculate import taxes.

Peru considers that, in order to comply properly with the provisions of the Valuation Agreement of the World Trade Organization (WTO), the reform process described above must be completed: this will require postponing the application of the Agreement for a period of two years, during which time the preparation of regulatory standards, training and dissemination to foreign trade operators will also be completed.

In this connection, paragraph I.2 of the Protocol to the Agreement on Implementation of Article VII of the General Agreement on Tariffs and Trade (currently paragraph 1 of Annex III of the WTO Customs Valuation Agreement) provides for the possibility that a developing country may request a delay in application of the Agreement if it considers that the five-year delay referred to in

Article 21.1 (currently Article 20.1 of the WTO Customs Valuation Agreement) for the application of the provisions of the Agreement is insufficient.

Although Peru acceded to the GATT Agreement on Implementation of Article VII and is one of the few developing countries that should implement the WTO Agreement before the year 2000, it needs to request this two-year extension in order to bring its national legislation fully into line with the Agreement and complete the implementation of a quality assurance system for customs procedures (ISO 9000 Standard), the training of all the country's Customs Personnel, and dissemination of the Agreement among foreign trade operators.

Grounds for the request for an extension

The Peruvian Customs have thoroughly reviewed the documentation underpinning the quality system, and primarily the operational procedures, which involves having to adapt the computer modules supporting those procedures in the customs service.

However, taking into account that the programme for the introduction of the quality system in the Peruvian Customs covers the entire service, it is necessary among other things to review, adjust and standardize over 100 procedures of a general nature, which will in turn call for adjustments in the Integrated Customs Management System (SIGAD) underpinning these procedures.

The SIGAD is a computerized system comprising all customs regimes and operations as well as the control, inspection and administrative functions; and it allows the exchange of information with foreign trade operators. The SIGAD consists of over 50 integrated modules and has over 2,500 programmes and more than 2 million lines of code.

The quality system being introduced in the Customs would not be complete and safe if the private sector operators (customs brokers, supervisors and concessionaires of warehouses) who carry out specific customs activities do not adapt their activities to the same standards as are being adopted by the Peruvian Customs. The two-year extension requested would enable the Peruvian Customs to fulfill the above-mentioned targets.

Conclusions

The two-year extension that has been requested is of the utmost importance for Peru in order to enable it to complete the programme of Customs reform under way and to ensure that the country is not affected by the increase in imports presenting a risk of valuation fraud. The national legislation also has to be brought into line with the Customs Valuation Agreement, which implies an evaluation of the current provisions.

It will also enable the Customs to make its quality assurance system fully operational, as well as the system for external agents involved in the provision of Customs services, and also to:

- (a) Adapt the computerized modules of the Customs to the adjustment in operational procedures resulting from the introduction of the Customs quality assurance system;
- (b) fully institutionalize the internal quality audit system in the Customs;
- (c) rationalize the structure of the computerized system of the Customs service (SIGAD) and its administration;
- (d) refine and optimize the use of management indicators ensuring the control of the quality system;

- (e) assist commercial operators carrying out customs activities in adapting their quality systems to the ISO 9000 Standards.
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