REPORT (1986) 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, Botswana, Brazil, Canada, Czechoslovakia, European Economic Community, Finland, Hong Kong, Hungary, India, Japan, Republic of Korea, Lesotho, Malawi, New Zealand, Norway, Romania, South Africa, Spain, Sweden, Switzerland, Turkey, United States and Yugoslavia. Of these, Australia, Austria, Botswana, Brazil, Canada, Czechoslovakia, European Economic Community, Finland, Hong Kong, Hungary, Japan, Republic of Korea, Lesotho, New Zealand, Norway, Romania, South Africa, Spain, Sweden, Switzerland, 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 paragraph 1:2 of the Protocol.

2. The following contracting parties have observer status: Bangladesh, Cameroon, Chile, Colombia, Côte d'Ivoire, Cuba, Egypt, Indonesia, Israel, Malaysia, Mexico, Nicaragua, Nigeria, Pakistan, Peru, Philippines, Poland, Singapore, Sri Lanka, Thailand, Trinidad and Tobago, 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 (20 November 1985)

3. During the reporting period the Committee has held five meetings:
   13 December 1985 - (VAL/M/15 and L/5944)
   23 January 1986 - (VAL/M/16 and L/5956)
   30 April 1986 - (VAL/M/17 and L/5991)
   13 June 1986 - (VAL/M/18 and L/6007)
   10 November 1986 - (VAL/M/19 and L/6088 - to be issued)

4. Turkey accepted the Agreement on 5 February 1986, subject to ratification. Turkey invoked the provisions of paragraphs 1 and 2 of Article 21 and paragraphs 4 and 5 of Section I of the Protocol (VAL/21). Document VAL/23 contains a communication from Hong Kong concerning its status under the Agreement. Hong Kong became a Party to the Agreement in its own right as from 23 April 1986. Lesotho accepted the Agreement under the provisions of Article 22.3 on 30 June 1986, on the terms agreed by the Committee at its meeting of 30 April 1986 (VAL/26). Argentina submitted its instrument of ratification on 18 September 1986; and, in a

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communication of 10 October 1986, Argentina has reaffirmed its intention to apply the provisions of the Agreement with effect from 1 January 1988 and recalled that at its meeting of 13 November 1985 the Committee had agreed that there was no objection to this (VAL/26).

5. The question of the status of Spain and Portugal in the Agreement after their accession to the European Communities was discussed at the Committee's meetings of 13 December 1985 (VAL/M/15, paragraphs 27-30), 23 January 1986 (VAL/M/16, paragraphs 4-8) and 30 April 1986 (VAL/M/17, paragraphs 8-11). At the last of these meetings, the Legal Office of the secretariat gave an opinion on the matter, in response to a request from the Committee. On 12 June 1986, Portugal notified its withdrawal from the Agreement in its individual capacity, while reaffirming its desire to be linked to the Agreement as a member of the European Communities (VAL/24). Spain has indicated its intention to withdraw from the Agreement in its individual capacity.

6. During the course of the year, three countries which had invoked the provisions of Article 21.1 for delayed implementation have started applying the provisions of the Agreement - Spain with effect from 1 January 1986 (VAL/20), the Republic of Korea with effect from 5 February 1986 (VAL/1/Add.19), and Brazil with effect from 23 July 1986 (VAL/22). In response to a request from India for an extension of its period of delay, under the provisions of paragraph 1:2 of the Protocol (VAL/17), which was considered at the Committee's meetings of 13 November 1985 (VAL/M/14, paragraphs 47-54), 13 December 1985 (VAL/M/15, paragraphs 3-26) and 23 January 1986 (VAL/M/16, paragraphs 9-13), the Committee took the decision contained in paragraph 9 of document VAL/M/16, extending the period of delay until 1 July 1987 and containing a number of other provisions. In the light of paragraph 5 of this decision, the Committee took note at its meeting of 10 November 1986 of statements by India and other Parties on the situation in regard to the application of the provisions of the Agreement by India, and agreed to revert to this matter at its next meeting.

7. At its meeting of 30 April 1986, the Committee considered proposals from Brazil for the retention on a limited and transitional basis of a specified list of officially established minimum values (VAL/M/17, paragraphs 38-40; VAL/W/36 and Add.1). At its meeting of 13 June 1986, the Committee took a decision, under which Brazil may retain such values listed in documents VAL/W/36 and Add.1 until 23 July 1988 and containing a number of other provisions (VAL/M/18, paragraph 3). At its meeting of 10 November 1986 the Committee considered questions regarding certain subsequent modifications to the list of products subject to such values (VAL/25), and took note of statements made in this connection. The Committee was informed that a Party had submitted to Brazil requests for the removal of items from the list, pursuant to paragraph 2 of the Committee's decision.

8. The Committee has continued its detailed examination of national implementing legislation. During the year it has considered the legislation of Brazil (VAL/1/Add.20, VAL/27), Canada (VAL/1/Add.17 and Supplements, VAL/2/Rev.1/Add.14, VAL/W/35), Czechoslovakia (VAL/1/Add.18 and Supplement, VAL/2/Rev.1/Add.15 and Supplement) and the Republic of
Korea (VAL/1/Add.19 and Supplements, VAL/2/Rev.2/Add.1 and Supplement). At its next meeting, the Committee will revert to the legislation of Brazil, Czechoslovakia and the Republic of Korea and will take up the legislation of Lesotho.

9. The Committee has reviewed the status of the application of the Decision on the Treatment of Interest Charges in the Customs Value of Imported Goods (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 Add.l), on the basis of information made available by Parties and summarized in document VAL/W/34 and revisions, and has agreed to keep this item on its agenda for the time being.

10. Technical assistance aimed at providing information to assist 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, the Committee on Customs Valuation and the Technical Committee. Technical assistance is being made available to both developing country Parties and other developing countries interested in the Agreement. Information documents, prepared by the CCC Secretariat for the Technical Committee, describing technical assistance activities relating to the Agreement have been circulated as Committee documents (VAL/W/29/Rev.1 and Addenda) to facilitate the greater transparency of technical assistance activities.

11. Detailed oral reports on the work of the eleventh and twelfth sessions of the Technical Committee, held respectively 3-7 March and 6-10 October 1986, were presented by the Chairman of that Committee to the meetings of the Committee on Customs Valuation of 30 April and 10 November 1986 respectively. At its March meeting, the Technical Committee had adopted a set of examples to illustrate the advisory opinion on the meaning of the expression "sold for export to the country of importation" and a study on the treatment of rented or leased goods. At its October meeting, the Technical Committee had adopted a case study on the treatment of leased goods, two additional examples to add to the advisory opinion on the meaning of the expression "sold for export to the country of importation", and an advisory opinion on the treatment of quantity discounts. The Committee on Customs Valuation took note of these reports and expressed its appreciation of the continued valuable work of the Technical Committee. At the Committee's November meeting, a number of statements were made on certain points raised in the report on the work of the Technical Committee.

12. At its meeting of 30 April 1986, the Committee heard statements on the activities of private companies involved in the valuation of goods for customs purposes on behalf of governments (VAL/M/17, paragraphs 45-47). The Committee agreed to revert to this matter at its November 1986 meeting with a view to exchanging information on the implications for the operation of the Agreement and the accession of further countries. Parties having further information and experience in this connection were urged to make it available to the Committee. At its November meeting, the Committee had a further exchange of views on this matter. Widespread interest and concern was expressed by Parties. The Committee agreed to revert to this matter at its next meeting on the basis of detailed information on national experience in this regard to be made available by delegations before the end of March 1987.
13. As in previous years, Parties have indicated general satisfaction with their experience with the operation and implementation of the Agreement, which has continued to contribute towards the realization of its objectives and to creating improved conditions for the conduct of international trade. While some two-thirds of international trade is already subject to the provisions of the Agreement, this contribution would be enhanced by the adoption of the Agreement by more countries.