STATEMENT MADE BY THE UNITED STATES REPRESENTATIVE
ON CUSTOMS VALUATION
3 December 1970

At the last meeting of the Working Group, it was suggested that the United States and some other countries apply the Brussels definition of value on an f.o.b. basis, i.e., the Brussels value reduced by the cost of freight and insurance from the point of exportation to the point of importation.

After careful consideration of this proposal, we find that the problems we would have with the Brussels definition remain essentially the same whether applied on a c.i.f. or an f.o.b. basis.

A fundamental problem lies with the notional concept of value inherent in the Brussels system. The practice of valuing goods at the port of entry on the basis of the price they would fetch in the open market in an arms length transaction permits Customs officials to exercise a wide degree of administrative discretion.

If freight and insurance rates were subtracted from the c.i.f. value at the port of entry as defined by the Brussels definition to arrive at a constructed f.o.b. value, the dutiable values could fluctuate according to the differences in actual freight and insurance rates. This could cause the same goods to have different values even at the same ports, thereby destroying the United States concept of a single value for duty calculation at any given time for the same merchandise.

Countries using the Brussels definition of value have assumed that United States adoption of the Brussels definition on an f.o.b. basis would not increase United States duties and would therefore remove the necessity for a renegotiation of tariff concessions under Article II of the General Agreement. However, the Brussels system, under which valuation varies according to the quantities involved and the commercial stage or level (wholesale, retail, etc.) of the actual transaction, tends to increase the value base as compared with the normal United States practice of valuation based on the usual wholesale quantities. In addition, we understand that Brussels value includes certain charges - for example, commissions, inland charges, and loading and unloading charges. The United States system does not include certain commissions, loading and unloading charges and, in many instances, inland charges. Thus in more than half the cases the dutiable base for imported goods would be higher under a Brussels f.o.b. system than under the present United States system.

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It appears to us that those countries favouring universal adoption of the Brussels definition may be more concerned about particular United States and other countries' valuation practices. The United States has negotiated to eliminate the American Selling Price system of valuation, and legislation to that effect is presently before the Congress. The United States has also offered to eliminate the Final List in exchange for appropriate compensation. If these two steps were taken, we wonder what problems would remain with United States valuation practices.

Rather than concentrate our discussion further on the relative merits of different valuation systems, it might be more productive if we were to focus on specific problems. We are prepared to discuss any such problems with United States practices — and in detail. Mr. Raymond Marra, Director, Division of Appraisal and Collections, United States Bureau of Customs, is a member of my delegation and would be happy to participate in such a discussion. We believe that detailed consideration of any customs valuation problems would put this issue in perspective and would contribute more to its solution than continued consideration in general terms.