DRAFT PRINCIPLES AND DRAFT INTERPRETATIVE NOTES

Report by the Chairman

1. Pursuant to its mandate to elaborate, on an ad referendum basis, concrete solutions to the problems in the field of customs valuation which had been notified in the Inventory of Non-Tariff Barriers, Group 2 on Valuation has asked me to submit to the Committee two drafts, one on principles for valuation and one on understandings with respect to application of Article VII which is tentatively headed "Interpretative Notes". I suggest that these texts be circulated to contracting parties with my present statement as a covering explanation.

2. The Group's approach has in general been to seek to interpret the provisions of Article VII of the General Agreement and to elaborate rules for their application in order to provide greater uniformity and certainty in their implementation. This approach is recognized as being only one among several possible approaches. Work has not been directed towards adoption of one common system of valuation, a matter which is considered to be of longer-term scope but which is of continuing interest to a number of governments.

3. The Group has reached a fair measure of agreement on these two texts which, if accepted and implemented, would solve the specific problems notified in the Inventory. Consequently, the Group believes that the time has come for reflection and decisions by governments on whether, and under what conditions, they are prepared to accept the proposed drafts. The Group felt that these decisions might take considerably more time for some than for others as they might involve changes in legislation for some. It was also clear that a decision one way or another might depend, for some governments, on the prospects for obtaining some balance of advantage from the results of work of the other two Groups now preparing concrete solutions on non-tariff barriers, or possibly from work yet to be undertaken on additional non-tariff barriers.
4. The ultimate choice of an instrument or instruments to embody the material which the Group has developed has received only preliminary attention, so that not much significance should be attached to the headings "Draft Principles" and "Draft Interpretative Notes". Likewise, the way in which the material would be related to existing obligations has not been considered in depth. It appeared, however, that such questions might more usefully be considered after some general consensus has been reached to proceed to acceptance.

5. The drafts are not fully agreed within the Group, as notes to the text will show, even on the basis on which the Group has worked, that is, on the understanding that neither the Group as a whole nor any of its members necessarily accepts the text. In general the views which have earlier been expressed by members of the Group, in the report annexed to L/3496 and elsewhere, continue to be held. Some members have however asked to have their separate views presented.

The Canadian delegation makes the following statement:

The Canadian delegation has perhaps always viewed the mandate of the Group in a slightly different light than have certain other delegations. It considers the draft interpretative notes which have been discussed in the Group to be simply one of several possible solutions, and possibly not the simplest or most effective. In addition, for reasons that have been set out elsewhere, the Canadian authorities feel that the Brussels system is not appropriate for Canada. The Canadian delegation therefore emphasizes its understanding, which it believes is shared by several other delegations, that the work of the Group does not involve any commitment on the part of any country to accept or implement the solutions elaborated in the Group, that the results of the Group's work do not preclude the possibility for other solutions and that no delegation is bound to accept any particular solution. It is also the Canadian view that the report should state that some countries do not consider harmonization of valuation systems to be either necessary or desirable and that these countries therefore feel that interpretative notes of the nature proposed are both inappropriate and unnecessary.
The European Communities make the following statement:

The great majority of countries are of the opinion that the adoption by all contracting parties of the principles and Interpretative Notes which are the subject of this document would be a major advance towards the elimination of obstacles arising out of customs valuation. They are nevertheless, convinced that only a full harmonization of valuation systems on the basis of one single concept can make a substantial contribution to the expansion of international trade in a climate of stability and certainty. Taking into account the fact that an increasing number of countries have already taken this path by acceding to the Convention on the Valuation of Goods for Customs Purposes (Brussels, 15 December 1950) or at least by acting consistently with the concepts of the Convention, the best way of achieving such harmonization would seem to be for all contracting parties to accede to one single convention, thereby applying one single customs valuation concept.

6. Whilst recognizing that their concerns did not appropriately fall within the scope of the drafts under consideration at this time, some representatives were anxious that their related ideas should not be lost from sight.
The Swedish delegation asked that the following statement be reported:

Additional Questions

In the Group's consideration of "principles", it was the view of most countries that the adoption of one common system of valuation should be the long-term aim in the field of valuation. This would contribute substantially to the development of international trade in a climate of stability and certainty.

Most countries also supported the inclusion of the principle that each country should use only one single concept of valuation. Most countries felt that countries already applying the BCV but not yet signatories should accede to the Convention. Such a step would facilitate trade through the possibilities for co-ordination and consultation offered within the CCC. Certain problems as regards the use of up-lifts had been taken up in the Group. The intention now was to pursue this matter further in the CCC.

The Indian delegation asked that the following statement be reported:

It should be understood that contracting parties having valuation systems requiring them to take into account prices of the same or like product in the markets of exporting countries would be obliged to modify them to bring them into conformity with paragraph 7 of the Interpretative Notes. It was suggested that where for some compelling reasons any contracting party considered it desirable to take into account in addition to actual value as defined in paragraph 1, some other values it should instead of current domestic value take into account:

(a) invoice prices of the exporting country of like merchandise to its major exporting country; or

(b) invoice prices generally obtained by the exporting country for like merchandise for exports to other third country markets.

7. As noted above, the Group considers that no further work can usefully be done by it before governments have carefully examined the text and taken certain decisions.