The delegation of Uruguay has the greatest interest in analysing and co-ordinating with the CONTRACTING PARTIES Article VII of the Agreement relating to tariff structure, for, in accordance with the rules in force, Uruguay has taken the necessary steps to adapt its internal régime to the established standards. Nevertheless, there are obvious signs which tend to indicate that no fully comprehensive explanation of definitive international standards has as yet been worked out.

In accordance with the aforementioned Article VII of the Agreement, which corresponds to Article 35 of the Havana Charter — which itself is the outcome of Article XXXIV of the Geneva draft — valuation for customs purposes must be based on the actual value of the imported merchandise or of like merchandise, and not on the value of merchandise of national origin or on arbitrary or fixed values. This system was thoroughly discussed at Havana when it was considered that acceptance of the principle of variable rules for the fixed valuation of products subject to ad valorem duty could not and would not be compatible with the text or the spirit of the Article in question. Moreover, it has been recognized that ad valorem duties calculated on fixed values for merchandise are practically the same as specific duties, as long as the values established for merchandise undergo no change.

The Uruguayan tariff régime has the following characteristics:

a) Valuation fixed for customs purposes may be revised every three years and duty is based on such valuation.

b) Valuation fixed for customs purposes and duty based on such valuation in addition to specific duty.

c) Ad valorem duty and duty on declared value.

d) Specific duty.

e) Duty on c.i.f. value.
Fixed customs valuation maintaining, as it does, the minimum rate for three years, amounts largely to the same thing as the arbitrary or fictitious values condemned by the General Agreement and for this reason the Uruguayan Government has appointed a large committee to study the question. Nevertheless, the Uruguayan delegation realizes that the three-year period during which customs valuation remains unchanged is intended to obviate the continual fluctuation in pro rata charges so as to guarantee a certain amount of tariff stability for trade and commerce. In short, this system is equivalent to levying specific duty, the rate of which can be changed only every three years. While, admittedly, it is arbitrary to fix the value of merchandise and to levy percentage duty based on such value, any system of specific duty is no less arbitrary. Such duties are assessed on fluctuating values which, when the duty is levied, have already undergone a change. Any criticism of the fixed valuation system will always be the same as that made in connection with the specific duty system which, however, is in current use in a number of countries possessing modern taxation machinery.

The various solutions adopted by national legislation include a number of a joint nature which tend to offset the rigidity of specific duties and the continual fluctuation of ad valorem charges. In Uruguay, ad valorem duty levied in addition to specific duty has a regulatory influence as long as customs clearance is based on actual value. When clearance is carried out on the basis of conventional values, the compensatory element disappears. In other countries, use is made of alternative systems which take account of the price and quality levels of the merchandise. In the United States, it would seem that a minimum specific duty is levied on condition that it is equivalent to a given ad valorem percentage. Thus for example we note that in the General Agreement concessions to the United States, preserved beef is taxed at 0.03 cents per pound but at not less than 15 per cent of its value.

One of the virtues attributed to ad valorem duty is the facility with which the system can be adapted to market fluctuations, but here the initial difficulty would appear to be how best to establish the original valuation.

In spite of the length of Article VII, the General Agreement is neither clear nor precise on this point, so much so that it has been thought necessary to initiate enquiries into the methods used in each country to determine valuation for customs purposes.

The European Customs Union, with the help of a study group in Brussels, has prepared a draft convention on valuation of merchandise for customs purposes, which it would be useful to study in conjunction with the comments made on it by the International Chamber of Commerce.

Whatever system is finally adopted, it must not be used as a means of introducing protectionism, and the rules adopted must clearly indicate how dutiable values are to be calculated.
For the above reasons, Uruguay begs to request the Chairman of the Technical Group on Customs Administration to bring to the notice of the parties concerned that the Uruguayan delegation supports the proposals of the Government of Chile (L/272) and calls for the inclusion in Article VII of the General Agreement of the whole of paragraph 6 of the Chilean Government's proposals.