

**TRANSITIONAL REVIEW UNDER ARTICLE 18 OF THE PROTOCOL OF
ACCESSION OF THE PEOPLE'S REPUBLIC OF CHINA**

Information Required in Annex 1A

Communication from the People's Republic of China

The following communication, dated 22 September 2003, has been received from the Permanent Mission of the People's Republic of China.

**I. THE USE OF VALUATION METHODS, OTHER THAN THE STATED
TRANSACTION VALUE**

China committed itself to the full application of the WTO Agreement on Customs Valuation, including valuation methodologies set forth in Articles 1 through 8 thereof, upon its accession. In addition, China would apply the provisions of the two Decisions taken by the Committee on Customs Valuation concerning the treatment of interest charges in the customs value of imported goods and valuation of carrier media bearing software for data processing equipment as soon as practicable, but in any event no later than two years from the date of accession, as referred to in paragraph 143 of the Working Party Report on Accession of China.

Since the accession to the WTO, China has been implementing the commitments seriously. The Customs Authorities in China have been applying principles and procedures that entirely comply with the Agreement on Customs Valuation to imported goods.

In this regard, China would like to provide the following information to the Committee on Customs Valuation, as required by Annex 1 to the Protocol of Accession of China.

1. Valuation legislation

In light of the requirement of the WTO that the legislation of Members should embody the basic principles and contents of the Agreement on Customs Valuation, China has made great efforts to improve its relevant legislation in the following aspects.

Article 55 of the *Customs Law of the People's Republic of China* definitely stipulates that the customs value of either the imported or exported goods will be examined and determined on the basis of the transaction value of the goods being valued. There could be found corresponding provisions for this in the *Regulations on Import and Export Tariff of the People's Republic of China* (hereinafter referred to as *Tariff Regulations*), and in *The Rules of General Administration of the People's Republic of China Regarding Determination on Customs Value of Imported and Exported Goods* (hereinafter referred to as *Rules for Valuation*). The entire Chinese Customs valuation law framework has been set up in line with the principle of respecting trade reality and based on the transaction value. The minimum value or reference prices have definitely been banned.

After China entered the WTO, the Chinese Customs Administration made an overall revision to the valuation laws and regulations, and also abided by the stipulations of the WTO Valuation Agreement in the aspect of valuation methods, the adjustments for the price paid or payable, and the rights and interests of the interested parties. It is clearly stipulated in the *Rules for Valuation* that if the transaction value cannot be determined, the customs value for the goods should be determined, in turn on the basis of the transaction value of the identical goods, the transaction value of the similar goods, and the method of deduction (Article 7) and so on, all of which are quite in line with the stipulations of the WTO Valuation Agreement. In order to maintain the transparency of the Customs laws and Regulations, any rules and regulations concerning customs valuation are duly issued in the form of Customs Decrees or Gazettes.

As a supplement, The Rules of General Administration of Customs of the People's Republic of China Regarding Determination on Customs Value of Royalties and License Fees Related to the Imported Goods came into effect on July 1st 2003 to better the Rules on Customs Valuation. Pursuant to the provisions of the WTO Valuation Agreement, the Rules further elaborate on the provisions concerning valuation of royalties and license fees stipulated in the Rules on Customs Valuation. Moreover, it is more practicable and applicable as it gives more detailed explanation on *related to the goods* as well as *a condition of sale of the imported goods*.

As to our fulfilment for the commitments reflected in paragraph 143 of the Report of the Working Party on Accession of China, an ad hoc group has been set up to make some further study to ensure the implementation and application of the decisions by 11 December 2003. So far legal drafts concerning the issue have been completed and handed over to the legislature to go through its procedures.

2. Implementation and application

Statistics show that 97.56% of declarations of imported goods were collected by virtue of transaction value in determination of their customs value from January to July in 2003.

In cases where the declared value could not be accepted as transaction value, the Customs Authorities in China reassessed the customs value strictly in accordance with the principles and procedures of the Customs Valuation Agreement.

3. Transparency

Fulfilling the commitments it made upon accession to the WTO and to meet the requirement of Article 12 the Customs Valuation Agreement, China published the Customs Law and the Rules Regarding Determination on Customs Value of Imported and Exported Goods. Besides, an official journal, "Gazette of China Customs" is also to be established in the near future. Interested parties may also visit the web-site of the General Administration of Customs of China for information (<http://www.customs.gov.cn>).

4. Other related issues

As to the Decision on Treatment of Interest Charges in the Customs Value of Imported Goods and the Decision on Valuation of Carrier Media Bearing Software for Data Processing Equipment, which were adopted by the Committee on Customs Valuation, China is making preparations for their application by 11 December 2003.
