

WORLD TRADE ORGANIZATION

RESTRICTED

G/VAL/W/44/Rev.1

16 November 1999

(99-4932)

Committee on Customs Valuation

Original: Spanish

STATEMENT BY HONDURAS REQUESTING A DEROGATION ON MINIMUM VALUES

Revision

The following communication, dated 1 November 1999, has been received from the Permanent Mission of Honduras.

Pursuant to Annex III, paragraph 2, of the Agreement on Implementation of Article VII of the General Agreement on Tariffs and Trade 1994, I have the honour to inform you that the Government of Honduras has decided to enter a reservation to enable it to retain minimum values for a transitional period of three years.

In this connection, the document justifying the reservation in question is attached.

STATEMENT BY HONDURAS ON THE FORMULATION OF A RESERVATION CONCERNING MINIMUM REFERENCE VALUES

I. INTRODUCTION

As everyone is aware, up to the end of October 1998 Honduras was maintaining sustained economic growth, managing to cut down the rates of inflation and unemployment and developing a sound fiscal and monetary policy which predicted excellent performance for the years ahead. All macroeconomic indicators pointed to economic recovery over the medium term. Despite the efforts made, the damage sustained last year as a result of the disasters caused throughout our whole productive infrastructure by Hurricane Mitch, which destroyed 80 per cent of the road infrastructure and left thousands of families homeless, meant that the resources previously channelled towards economic recovery were used to meet the population's basic priorities in food, disease prevention and construction of shelters, and the reconstruction of the road infrastructure and the country's production base.

II. ADVANCES IN THE REFORM PROCESS

In its process of economic liberalization, our country has embarked on a Customs Modernization Programme which includes an ambitious project of reforms and the adaptation of its legislation on customs valuation consistent with the rules of the World Trade Organization (WTO). A draft law has been finalized and submitted to Congress for adoption by 30 December 1999. Under this draft law, Honduras will be able to apply the Valuation Agreement from 1 January 2000, except for a small list of goods for which it is entering a reservation to retain their value on the basis of the minimum reference prices during a minimum transitional period of three years, in accordance with the terms of Annex III, paragraph 2, to the WTO Agreement on Customs Valuation.

It should be noted that the minimum reference values will be applicable solely to imports with a declared value manifestly below the reference value, for which reason the imports that will be affected by this reservation are in actual fact very limited in number.

III. DESCRIPTION OF PRODUCTS ON WHICH THE RESERVATION IS TO BE ENTERED

The products with minimum reference values consist of the following goods, in used condition:

1. Retreaded or used tyres of tariff heading 40.12;
2. Worn clothing and other worn articles of tariff headings 63.09 and 63.10;
3. Used domestic appliances of tariff headings 84.18, 84.50, 84.51 and 85.16.60.00;
4. Used vehicles other than railway or tramway rolling-stock, and parts and accessories thereof, of Chapter 87.

The tariff headings are those of the Harmonized System Nomenclature.

IV. GROUNDS FOR THE REQUEST BY HONDURAS

- (a) The declared values for tyres usually do not represent even 5 per cent of the cost of a new tyre. In addition, the tyres are so worn that they do not meet the safety requirements for this type of product. Particularly, the lack of proper papers and the minimum value declared by

the importer for such products constitute unfair competition for importers of new articles of this kind.

- (b) Imports of worn clothing have an adverse impact on the economy and directly affect the development of small- and medium-sized industry engaged in manufacturing clothing and footwear. Furthermore, this sector of our industry, which generates a large number of jobs, is seriously affected by the competition from imports of these products, for which insignificant values are declared and for which the tax authority does not have sufficient human and material resources to determine the real transaction value and thus minimize the adverse effects of cheap imports on domestic production.

Moreover, in a country with six million inhabitants and an economically active population of two million, about 10 per cent are small employers who create approximately five jobs per firm and some manufacture clothing and footwear for the majority of the population not in a position to purchase imported products. They are seriously affected by imports of used products.

- (c) As for imports of used domestic appliances, many of which have been got rid of in the developed countries because of their negative effect on the ozone layer, Honduras, pursuant to the provisions of the Montreal Protocol, to which we are signatories, is under an obligation to establish measures to help shift consumer preferences to new or used articles that meet environmental protection requirements.
- (d) Reference prices are retained for motor vehicles in order to assure fair market play and our population's health and safety for the following reasons:
- These goods are usually supplied through the informal sector, a group which in most instances does not provide proper papers for sales, and virtually no method or concept of value can be applied, thus causing unfair competition for the firms engaged in normal trade in new vehicles.
 - Since they are "second-hand" products with a great deal of wear and tear, in most cases they create health problems and environmental contamination, giving rise to conditions that are in no sense beneficial to the quality of life of the inhabitants of developing countries.
 - Furthermore, additional measures have to be taken to protect the consumer and the environment, and are also necessary to prevent road accidents, which generally occur because these vehicles are very old models with worn parts.

We find necessary to emphasise our country's engagement in an extraordinary effort to rebuild our economy and its infrastructure after a disaster, world-wide known, unique in its history. All branches of government are thus involved in creating a new set of rules aimed at absorbing the generous aid offered both bilaterally and multilaterally in an efficient manner but allowing for the necessary control required to assure transparency and good management. Once this is accomplished we will be able to deal with the above-mentioned problems with complementary or substitutive measures but require time to deal with the priority of reconstruction and then work out procedures for other matters.

V. CONCLUSIONS

Despite these problems, Honduras, as a nation mindful of its commitments towards the international community, stands ready to apply the Agreement on Implementation of Article VII of

the General Agreement on Tariffs and Trade as from 1 January 2000, even though it might entail some fiscal sacrifice for our vulnerable economy, for which reason we appeal to Members' understanding and solidarity, since our problem on this occasion is confined strictly to the application of minimum values for a small number of goods and for a transitional period, which could be cut down as we refine our information exchange and improve our risk analysis systems.
