

May 6, 2003

The Honorable
Tommy Koh
Ambassador-at-Large
Ministry of Foreign Affairs

Dear Ambassador Koh:

During our discussion of the auto valuation issue at the June 2002 negotiating session, the Singapore team asked that the U.S. delegation convey our concerns in writing. This letter provides a summary of our concerns and seeks Singapore's assurances that such concerns will be remedied.

As the U.S. delegation explained during the June session, the main concerns of the United States with regard to Singapore's auto valuation system are that: (1) it does not use the transaction value as the basis for levying taxes, duties and fees on imported automobiles; and (2) there do not appear to be procedures for meaningful rights of administrative appeal or the right of judicial review. These elements of Singapore's system do not accord with the requirements of the WTO Agreement on Customs Valuation (the "Valuation Agreement") that the transaction value should be the primary basis for customs valuation, that the customs value shall be the price actually paid or payable for goods, and that the legislation of each Member shall provide for rights of administrative appeal and judicial review.

The United States would like to reiterate that with respect to valuation for the purposes of customs, excise and other tax levies by U.S. Customs, goods entering the United States from Singapore will continue to receive full, fair and transparent treatment in accordance with the Valuation Agreement. We ask the same of Singapore with respect to imports of all vehicles, including passenger vehicles.

Sincerely,

Ralph F. Ives
Assistant U.S. Trade Representative
for Asia, the Pacific, and APEC

The Honorable
Ralph F. Ives
Assistant U.S. Trade Representative
for Southeast Asia, the Pacific, and APEC

Dear Mr. Ives:

Thank you for your letter of May 6, 2003.

The Government of Singapore notes the concerns of the United States that: (1) Singapore's valuation of imported vehicles is not based on the transaction value as required by the WTO Agreement on Customs Valuation (the Valuation Agreement); and (2) there do not appear to be procedures for meaningful rights of administrative appeal or the right of judicial review.

Singapore views its excise duties on motor vehicles as internal taxes and not as de facto import duties. As such, they would not be subject to the Valuation Agreement. Singapore law provides that excise duties are levied on both imported goods and locally manufactured goods, which is consistent with our National Treatment obligations under WTO.

While we believe that our current system is fair and WTO-consistent, the Government of Singapore has decided to implement the WTO Customs Valuation Agreement system, which is in line with the Valuation Agreement, as announced at the 2003 Budget Statement. Accordingly, the transaction value will be the primary basis for customs valuation and the customs value will be the price actually paid or payable for goods. Also consistent with the Valuation Agreement, Singapore will ensure that its legislation will provide for meaningful rights of administrative appeal and the right of judicial review. These changes will take effect by 1 July 2003.

Sincerely,

Tommy Koh
Ambassador-at-Large