These differences in tariff classification systems among countries of the Atlantic area do not restrict trade, *per se*, but they do increase uncertainty. Even uniform systems would not eliminate uncertainty, because disagreements between customs officials and traders over the classification of imports will exist as long as there are tariff schedules. However, if decisions in such disputes are time consuming, involve expensive legal proceedings, or otherwise inhibit trade, which is sometimes the case, particularly in the United States, this administrative aspect of customs classification constitutes a nontariff barrier.

A basic difference in valuation of imports among Atlantic area countries is that the EEC, the EFTA, and Japan include insurance and freight as part of the value of imports (c.i.f. system), while the United States and Canada do not (f.o.b. system). This means that *ad valorem* tariff rates in the countries using a c.i.f. system are applied to higher valuations, resulting in import duties that on the average are about 10 per cent higher than the same rates on identical products in countries using an f.o.b. system. But such differences in valuation systems do not constitute nontariff trade barriers and tariff levels can be compared by expressing duties on a common basis. Other aspects of these countries' valuation systems, however, may act as trade impediments.

As already indicated, the EEC and EFTA countries adhere to the Brussels Definition of valuation, which uses "normal price" as the basis for levying *ad valorem* duties. "Normal price" is defined as "the price which they [imports] would fetch at the time when the duty becomes payable on a sale in the open market between buyer and seller independent of each other."[50] This is a theoretical value, but in most cases, it corresponds to the c.i.f. invoice price.

The principal problem of the Brussels Definition stems from trade transactions between related parties, i.e., buyers and sellers that are not independent of each other. When the importer is a subsidiary, branch, sole distributor, or exclusive agent of a foreign firm, customs officials assume that invoice prices understate the dutiable value, because of discounts

[50] Customs Co-operation Council, *The Brussels Definition of Value for Customs Purposes* (Brussels: April, 1964), p. 41.