What Should Happen?

*Some Thoughts from the Private Sector*

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WHAT IS THE OBJECTIVE?

- A simple and predictable system that reduces the opportunity for misinterpretation & inconsistency.
- HS has become part of the DNA of global trade and is a factor in a range of business decisions including capital expenditure, manufacturing, product design, component sourcing and logistics.
- A review of HS and how any change is to be implemented has the potential for significant business disruption and cost – we have to be conscious of this and make every effort to minimize it.
MITIGATING NEGATIVE CONSEQUENCES OF CHANGE – REFLECTIONS ON THE BEST WAY TO “GET THERE”?

• A full review of the HS is a significant piece of work with wide reaching implications.
• Is the core purpose of the HS still the precise identification of good for revenue purposes?
• HS is increasingly used for risk management; how is this best done?
• What is the extent to which the HS should adapt to the needs of government agencies other than Customs?
• PSCG members suggest it is beneficial to manage “what should happen” in stages.
STAGE 1

• A survey of WCO members to ascertain HS’s suitability for purpose – today AND tomorrow.
• Which chapters & headings have high error rates and why?
• Are these at the national level? What feedback is there from WCO members about errors beyond 6 digits?
• Is it possible to identify redundant tariff items?
STAGE 2

• Review of GIRs and explanatory notes with the objective of simplifying the HS.
• More general descriptions?
• Eliminating redundant tariff items.
• Use of plain language.
STAGE 3

• Review of classification processes – such as essential character test
• Other relevant considerations:
  • Any revised or new classification system must be a global standard developed and managed by the WCO for the common good.
  • The outcome should focus on the numerical. Words are open to interpretation, and there are interpretive differences between languages.
  • New and emerging trading methodologies and technologies need to be considered, e.g. E-commerce, electronic downloads, AI and 3D printing.
  • The outcome should ideally be sympathetic to and consistent with other coding systems which are becoming increasingly accepted in sectors of global trade.
• Consideration should be given to simplifying HS by using common language instead of trade descriptions. Appeal bodies generally look at the common understanding of the words before considering trade usage.

• A revised HS must co-exist with technology, but cannot rely on it alone as a significant number of countries have limited IT capability.

• Statistical codes are increasing in number, mainly at the request of statistical agencies seeking data. The result is more and more tariff codes and a corresponding potential for errors by users. Suggest increased communication and cooperation between government agencies to identify possible unnecessary granularity and delete rarely used or outdated statistical codes.

• Inconsistencies in classification could be reduced if the WCO reviewed national customs rulings with a view to influencing consistent outcomes.
WCO, member administrations and the private sector (representing the PSCG and the IT sector) should consider options to develop e-tools to assist with classification of goods – ask members to share information about where these tools exist, and whether and how they add value.

Are there any legal or compliance issues associated with such tools?

Have these tools been used to provide for “machine release” of (low risk) goods to facilitate trade?

Publication of audit/verification priorities is useful in promoting HS accuracy.
A REMINDER: WHY WE ARE ALL HERE

• Accurately identifying goods is central to global trade – underpins trade and revenue decision-making or both governments and private sector companies.

• There has been consistency in commentary about what needs to be done – common threads of ideas for change and priority action items.

• What is less clear is HOW this is to be done.

• A successful review will require close consultation and open dialogue between all stakeholders in the public and private sectors – just as there has been at this conference.
OPTIONS FOR THE WAY FORWARD

• Identify committed stakeholders for a 3 year period – with private sector nucleus from PSCG, HS Committee, and conference participants, plus WCO members and WCO Secretariat resources.

• Agree on what comes first – identification of problem areas and redundant items through a member survey?

• Decide what to do with GIRs and Explanatory Notes – importance of accessibility, focus on the extent to which a plain language rewrite can be done and how cost issues can be addressed.

• Identify, leverage and raise awareness of existing good practices and resources.

• Take stock of progress – are we making a difference?
THANK YOU

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