



USCIB promotes open markets, competitiveness and innovation, sustainable development and corporate responsibility, supported by international engagement and regulatory coherence. Its members include U.S.-based global companies and professional services firms from every sector of our economy, with operations in every region of the world, generating \$5 trillion in annual revenues and employing over 11 million people worldwide. As the U.S. affiliate of the International Chamber of Commerce (ICC) and the International Organization of Employers and Business at OECD, USCIB provides business views to policy makers and regulatory authorities worldwide and works to facilitate international trade and investment.

The focus of this document is World Customs Organization (WCO) HS Reform or Revitalization. This principles document has been developed by the USCIB Customs & Trade Facilitation Committee, composed of USCIB member companies representing a range of business and industry sectors. Advocacy priorities reflect consensus among the members. The Committee provides business views to policy makers and regulatory authorities and works to facilitate international trade and effective customs administration. Committee members include U.S.-based global companies and professional services firms from every sector in the economy.

USCIB, under the umbrella of the ICC, has been an observer to the WCO Harmonized System Committee (HSC) and Review Sub-Committee (RSC) since the 1990s. Through this role, USCIB provides U.S. industry with a window into the HSC and RSC processes. As a result, USCIB has a vested interest in the future of the Harmonized System (HS).

I. USCIB GENERAL – PRINCIPLES OF HS REFORM

- The Harmonized System Nomenclature, commonly known as HS, has served as an effective uniform instrument for participating countries to classify traded goods for customs purposes.
- The HS underpins the global multilateral trading system and the intent of any reform should be to improve, simplify, enhance transparency and to make the system more user friendly for both government and the private sector.
- The purpose of the HS should stay focused on its original intent supporting the international movement of physical goods.
- HS classification should be based on objective standards and the technical aspects of the physical good under review regardless of other potential non-primary uses.
- The HS must continue to be practical and predictable for use by developed and developing countries as well as private sector users of all sizes and across all industry sectors (e.g., importers, brokers and shippers).
- Any reform or revitalization process should balance private sector and government priorities and must include public – private sector engagement through a transparent, collaborative, and consensus-based process. This engagement should be based on the long-standing and approved engagement pathways (e.g., ICC). Any resulting ideas should fit into the 7th HS Review Cycle, which will be launched in the Fall of 2019.

- The downstream impacts of changes to the HS must be considered for both governments and private sector users.
- The process to amend – at any level - the HS requires consensus among member states. A clear, transparent, process is the cornerstone of reaching consensus.
- At the national level, governments should conduct robust interagency discussions to understand and prepare for the impacts and/or potentially unintended consequences of HS reform. Domestic interagency engagement must include, among others, the trade policy agencies or departments responsible for trade negotiations (e.g., market access and rules of origin provisions of Free Trade Agreements) as the HS plays a critical role in bilateral, regional, plurilateral and multilateral trade agreements.
- Consideration should be given to lessons learned from the major update to high-tech Chapters of HS2007 review cycle. For example, clear explanation and understanding by both governments and the private sector of the process to implement a new version of the HS and the need to ensure that rates of customs duty track to new provisions appropriately as well as further downstream regulatory impacts.

II. USCIB AREAS OF SUPPORT

- Updating existing Explanatory Notes (ENs), include ENs in legal text of heading as necessary, align terminology across all EN Chapters. Potentially, including the use of data analytics to ensure consistency of terminology across ENs.
- Potentially focusing HS reform efforts on specific highly traded industry sectors of interest (e.g., chemicals, pharmaceuticals, textiles, high-tech). Agreement on specific areas must be reached between governments and the private sector.
- Reviewing with the intent to clarify and improve basket provisions (i.e., Other).
- Identifying and securing support to allow the private sector, under the umbrella of the ICC, to proactively bring consensus technical content and requests for classification to the WCO.
- Increasing resources and programs for training and capacity building in customs classification. This would benefit members of both the private and public sector. These training resources should be easy to access and digest.
- Investigating options for providing additional support and resources for smaller government and company users including, but not limited to, making the international HS ENs as well as the international Compendium of Classification Opinions available to governments and private sector users online and free of charge.
- Promoting robust national-level binding advanced rulings processes as well as the establishment of an online rulings repository to aid members of the public and private sector, consistent with the World Trade Organization, Trade Facilitation Agreement. In developing such an interactive tool, the issue of confidential business information must be addressed, and adequate protections must be put in place to secure company confidential information. For example, see U.S. Customs and Border Protections CROSS system accessible at: <https://rulings.cbp.gov/home> or Canada's Canada Border Services Agency version available at: <https://www.cbsa-asfc.gc.ca/import/ar-da/ar-da-eng.html>.

- Considering the critical need to traders, consideration should be given to how to increase and further promote the timely implementation of the current version of HS and subsequent versions by all HS Convention Contracting Parties as well as all others that use the HS as the basis of their national customs tariffs. That some countries lag in implementing the most current version of HS poses issues in the context of any HS reform or revitalization discussions.

III. USCIB AREAS FOR POTENTIAL CONSIDERATION, WHICH WARRANT FURTHER DISCUSSION

- Private sector's willingness and capacity to provide IT solutions, technical, and/or financial support to governments to create and maintain an automated global HS rulings system.
- Use of IT solutions to link the international HS, owned by WCO, with national tariff schedules.
- Creation of an interactive database of industry terms and their definitions for standardized consistent use in the HS.
- Explore how Artificial Intelligence may be used to facilitate classification for both governments and the private sector.