

WCO Symposium on E-Commerce and Customs Valuation

15 February 2023

Keynote speech by Dr. Kunio Mikuriya, Secretary General, WCO

Dear Ladies and Gentlemen,

1. It gives me great pleasure to welcome you to the WCO Symposium on E-Commerce and Customs valuation.
2. We have the privilege of having a wide range of excellent speakers from the WTO, Member administrations and private sector organizations, in addition to the WCO experts.
3. We have prepared two panel sessions: the first is composed of WCO officers, who will present the challenges of E-Commerce on Customs Valuation and what the WCO has done so far, as well as the difficulties encountered while addressing these problems.
4. During the second panel, we will hear from Member administrations and private sector companies about their initiatives, experiences and any challenges that they have experienced.
5. I cannot emphasize enough the impact of E-commerce on our lives.
6. E-Commerce brings enormous opportunities for economic and social development by fostering innovation, introducing new trade models, creating job opportunities and leading new consumer trends.
7. The internet has become a retail outlet, and we enjoy the wide choices of goods at competitive prices.
8. The WCO and its Members took action to recognize the importance of E-Commerce, adopting the WCO Framework of Standards on Cross-Border E-Commerce in 2018.
9. The Framework outlines the steps that Customs administrations should take and has made a significant contribution to the business environment in supporting e-commerce.
10. These steps include the introduction of simplified procedures for immediate release of goods on, or before arrival, the use of advance electronic data for risk management purposes, and the use of technology for screening purposes, to name a few.
11. But E-Commerce also poses challenges to administrations and businesses that thrive in it.
12. Let us consider one aspect. E-Commerce has made trading more accessible to all of us, including micro, small and medium sized enterprises, so called MSMEs and consumers.

13. For many of these small businesses, e-commerce has quite literally brought the world of trade to their doorstep.
14. Commendable as this is, these MSMEs are not the traditional entities involved in import and export, and some may not even be aware of the most basic implications to trading, such as valuation.
15. Luckily, for these businesses, integrated platforms and technology ensure that they do not have to worry about logistics.
16. Indeed, platforms operate using complex supply chains, often with numerous intermediaries involved in a transaction.
17. However, this new business model, including fulfilment centers, makes it difficult for MSMEs and Customs administrations to establish when the export and import took place, as well as by whom and for whom. These are fundamental steps in calculating the customs value of a good.
18. Under these circumstances, it would be naïve to assume that the customs valuation of goods can be accurately assessed by traditional business methods.
19. Moreover, a rapid growth in volumes of small shipments, observed during the COVID-19 crisis, continues today in the post-pandemic era and has increased the pressure on Customs administrations for significantly more resources.
20. Additional aspects exacerbate the problem. For instance, when products are customized, their values are not comparable to those used in alternative methods of valuation, given their unique features.
21. Ideally, we should be able to harness the abundance of data generated by the Internet to overcome these challenges, and for that purpose, the E-Commerce Framework recommends a partnership approach with businesses, allowing Customs to access essential information.
22. This could be the basis for Customs to verify the real transaction value, as stipulated by the Valuation Agreement, but we are far from getting reliable answers.
23. We are often asked by our Members, especially from developing countries that are concerned with revenue implication of e-commerce, where they can find best practices.
24. Our reply is that both developed and developing economies are struggling to find viable solutions and we will hear later, during the second panel, some genuine concerns and initiatives from some Members.
25. By way of example, last year the Wise Persons Group on the Reform of the EU Customs Union expressed its concern on revenue implication and stated in its report that “The declared value of B2C shipments is frequently incomplete or inaccurate, often intentionally, with many falling below the “de minimis” value threshold of €150 for customs duties” and that “Anecdotal evidence on recoveries made by Member States following controls and audits suggest that it could potentially be in billions of euros.”

26. Customs administrations are making tremendous efforts to cope with this challenge by using Technology, such as blockchain in order to have access to data, and data analytics and AI to analyze transaction data and scanned image data, supplemented by the exchange of information. However, the current legal framework does not necessarily empower Customs to fully discharge its responsibility.
27. In this connection, I hear some Members wondering if it might be timely to consider updating the WTO Agreement on Customs Valuation of 1994, established when the current e-commerce trade did not exist or adding a guide to the more recent WTO Agreement on Trade Facilitation.
28. Of course, Customs responsibilities are not limited to revenue collection, but also include non-fiscal area of protecting citizens from safety and security risks that illicit trade poses.
29. As the Wise Person Group report pointed out, "Evidence also suggests that the probability that small consignments will contain non-compliant or dangerous goods is very high."
30. And the WCO can also confirm this trend, basing on our recent Operations STOP to counter the illicit trade in falsified and unregulated medicines and medical goods. We identified e-commerce as one of the major conduits for smuggling activities.
31. Finally, conscious of the need to transition from a linear to a circular economy, I would like to add that while some e-commerce practice, such as allowing frequent return of goods, certainly provides benefit to consumers, it might considerably increase carbon footprint.
32. I think we have reached a tipping point in the evolution of e-commerce.
33. However, I hope that a concerted effort on the part of the customs community with our partners can bring about tangible solutions to the challenges I have outlined.
34. I am confident that today's initiative will kick start a process whereby the key parties at this forum can combine their capabilities to derive practical outcomes. In doing so, we will ensure that E-commerce can continue to flourish.

Thank you.