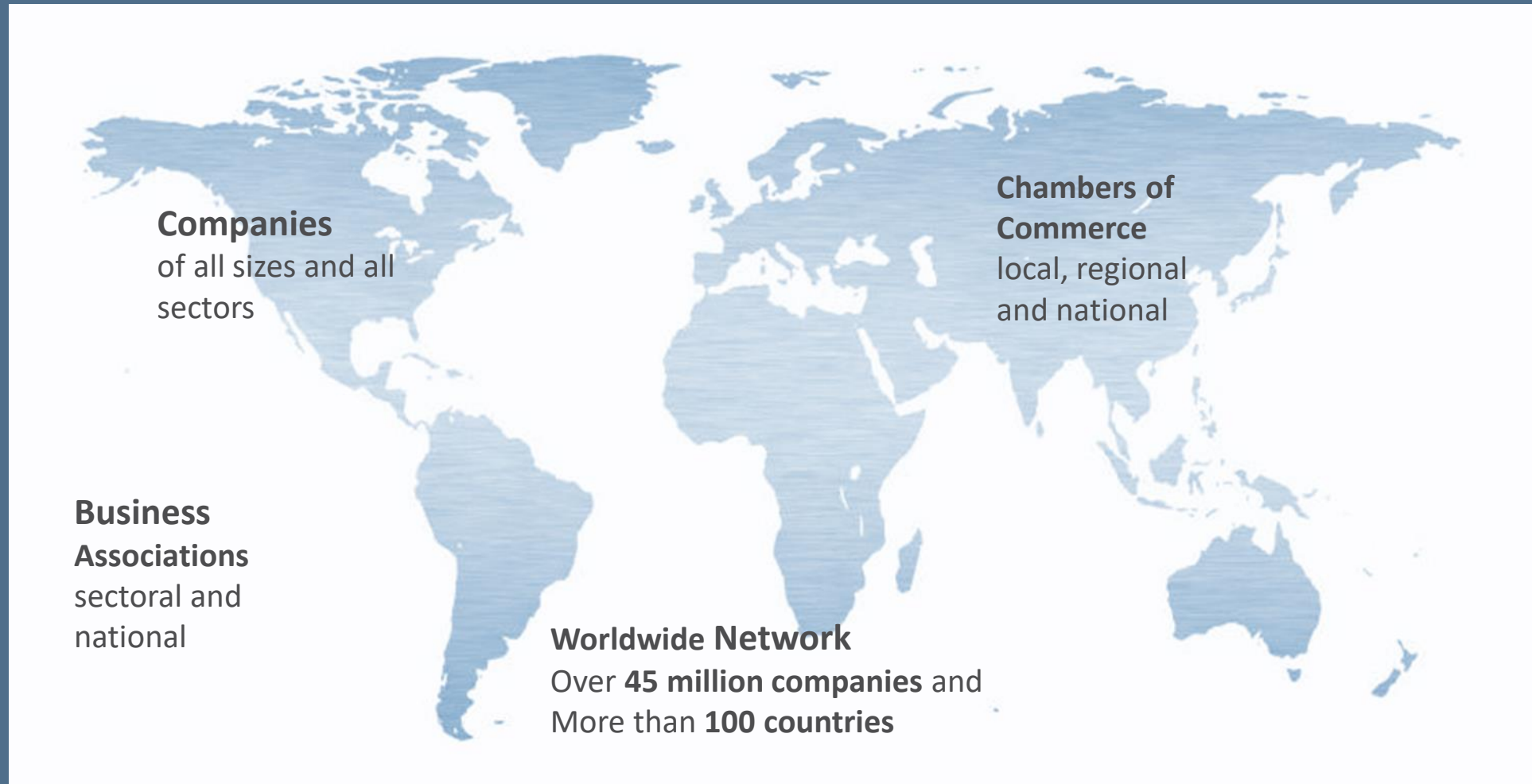


The Changing Face of Trade and the HS

WCO Conference on the Future Direction of the
Harmonized System

WCO Headquarters, Brussels, Belgium | 02-03 May 2019

THE WORLD BUSINESS ORGANISATION



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**We make business work for
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ICC-WCO STRATEGIC PARTNERSHIP

- **Harmonized System Committee (HSC) and Harmonized System Review Sub-Committee (RSC)**
- Working Group on E-Commerce (WGEC)
- Technical Committee on Customs Valuation (WCO TCCV)
- Private Sector Consultative Group (WCO PSCG)
- SAFE Working Group (WCO SAFE)
- TFA Working Group (WCO TFA)
- Technical Committee on Rules of Origin (WCO TCRO)
- Rights Holders Consultative Group (WCO RHCG)
- Counterfeiting and Piracy Group (WCO CAP)
- Enforcement Committee
- Istanbul Convention Administrative Committee



MAJOR CHANGES IN TRADE

- The emergence of global supply and value chains
- Trade in intermediate goods as well as end products
- Increasing number of goods with multiple functions
- The rise in small and medium-sized enterprises (SMEs)
- The use of the internet in global commerce
- Multi-purposing of goods
- Shortened innovation and product life cycles

MAJOR CHALLENGES FOR INDUSTRY

- The immense volume of shipments and individual commodities crossing borders within the global supply chain
- Classification determination for items with multiple functions or purposes
- Different classifications for the same item in different countries, which can impact tariff treatment as well as preferential origin treatment
- SMEs lack extensive resources for classification determination and issue resolution
- New products not defined in the current version of the HS and the length of time (currently 5 years) prior to the next version

IS THE HS STILL FIT FOR PURPOSE?

> ICC is of the view the HS is still fit for purpose as the hierarchical structure for describing all goods for global trade, revenue collection, and statistical purposes. However, there are a number of process improvements that could be implemented to better enable the WCO and the HS to keep pace with product innovation and the evolution of the global supply chain.

IS THE HS STILL FIT FOR PURPOSE?

Recent successes in the HS:

- ✓ Amendments to develop a structure and notes for:
 - ❑ Unmanned aircraft (drones)
 - ❑ Additive manufacturing (3D printing)
 - ❑ Amusement park equipment
- ✓ Amendments to group together flat panel display modules
- ✓ Amendments to expand the scope of heading 85.42 to also cover Multi-component Integrated Circuits (MCOs)
- ✓ Amendments to clarify the classification of monitors and projectors used in ADP systems

ICC RECOMMENDATIONS

Certain fundamental criteria to reduce the complexity of the HS for the next review cycle may include the following:

- Further simplification of and adjustment in areas of the HS that tend to give rise to differing classifications across member states. ICC can assist in providing examples.
- A focus on highly-traded industry sectors (e.g. chemicals, textiles, pharmaceuticals, technology), similar to the technology sector approach taken in 2007.
- Replace outdated terminology (e.g. automated data processing machines).

ICC RECOMMENDATIONS

- Exploring options for providing additional support and resources for smaller governments and business users.
- Free access to the Explanatory Notes database and Compendium of Classification Opinions, especially valuable to SMEs.
- Additional private sector engagement which has proven successful in both large and smaller scale HS amendments.
- Increased coordination with the WTO to understand better the potential impact of HS changes to global tariff agreements.

Note: for a detailed list of recommendations, refer to the conference paper submitted by ICC.

WCO CONFERENCE ON THE FUTURE DIRECTION OF THE HS

THANK YOU

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