



What Should Happen?

Some Thoughts from the Private Sector

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REVITALIZING THE HARMONIZED SYSTEM



BUSINESS ALLIANCE FOR SECURE COMMERCE



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 I

- 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.

STAGE 3

- 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.

IMPROVING QUALITY: WHAT MEMBERS CAN DO

- 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 for 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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