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WCO Conference on the Future Direction of the Harmonized System

Revitalizing the Harmonized System

May 2-3, 2019

What is needed for a 21st century Harmonized System?

CompTIA thanks the WCO for soliciting private sector input and participation in its review of the Harmonized System (HS). CompTIA and its Members are pleased to offer the following input:

- The HS has proved to be a durable instrument for achieving myriad objectives; perhaps most importantly outside of commodity classification, but directly related thereto, is underpinning the system of multilateral, regional, and bilateral tariff commitments. It is an inevitably complex instrument given the scope of coverage. Simplification efforts are always welcome, but significant reforms could have far-reaching consequences and costs. Nevertheless, CompTIA believes that the HS continues to be fit for purpose and **a major overhaul is not warranted at this time.**
- 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.
 - **Review Criteria:** In order to reduce the complexity of the HS, and promote consistent outcomes, CompTIA recommends a renewed focus on fundamental criteria for the establishment or continued use of specific HS codes for the 2027 review cycle:

- HS codes should primarily be established for products reaching a specified level of trade and the WCO may consider raising these thresholds.
 - Conversely, the presumption should be that HS codes are deleted when trade in impacted categories declines materially.
- **Shorten Review Cycles:** The WCO should consider reducing the HS review cycle from every 5 years to every 3 years in order to speed up decision making and implementation and take into account short innovation cycles in many industries. This may in part be achieved by conducting more of the technical work informally behind the scenes in between official HS Committee sessions.
 - **More Opportunities for Private Sector Engagement:** WCO engagement with industry on an ongoing basis is an important mechanism for ensuring that the HS stays relevant, up-to date, and adaptable to changing needs and trading realities. Currently there are only two avenues through which private sector actors can inform the WCO decision-making process – by engaging their home country Customs Administrations, or through the International Chamber of Commerce. However, additional formalized dialogue mechanisms between the private sector, the WCO, and national Customs officials can assist in identifying technological advances and changing trade patterns which should be captured in the HS nomenclature. The private sector could also assist the WCO with training and technical assistance initiatives.
 - **Refocus on the Original Intention of the International Convention on the Harmonized System:** In recent years some global stakeholders have pursued using the HS for other purposes. This has led to additional complexity and increased expenditure of efforts that may not align wholly with the convention. We suggest guidelines be established to ensure such efforts are consistent with the intention of the HS.
- In addition, CompTIA recommends **Free Access to Explanatory Notes Database:** The Explanatory Notes (ENs) constitute the official interpretation of the HS at the International level and are an indispensable complement to the system. However, the ENs are currently only available via costly fee-based subscription. CompTIA recommends making the ENs available for free on the WCO's website. Free access will help ensure member administrations and importers, large or small, may rely on the same information when making classification assessments, thereby furthering harmonization and the free flow of goods.