



IFCBA



**THE HARMONIZED SYSTEM IN THE XXI CENTURY.
PREPARING FOR THE FUTURE.**

EXTRAORDINARY SESSION ON THE STRATEGIC REVIEW OF THE HARMONIZED SYSTEM

WCO HARMONIZED SYSTEM COMMITTEE MEETING | 23 SEPTEMBER 2019

Francisco Jaime King Cancino

Vice-Chair, WCO Private Sector Consultative Group (PSCG) | Past Chairman, International Federation of Customs Brokers Associations (IFCBA)



BACKGROUND

- **The International Federation of Customs Brokers Associations, IFCBA, is an organization founded in 1990 to represent the interests of customs brokers and their clients worldwide. We have members in six continents.**
- **We strive to promote improvements in customs policies and the adoption of practices to move across borders worldwide.**
- **A 2016 WCO study report on customs brokers estimated that customs brokers filed 82.55% of all customs declarations.**
- **Classification of goods is at the very heart of our professional activities.**

CHALLENGE:

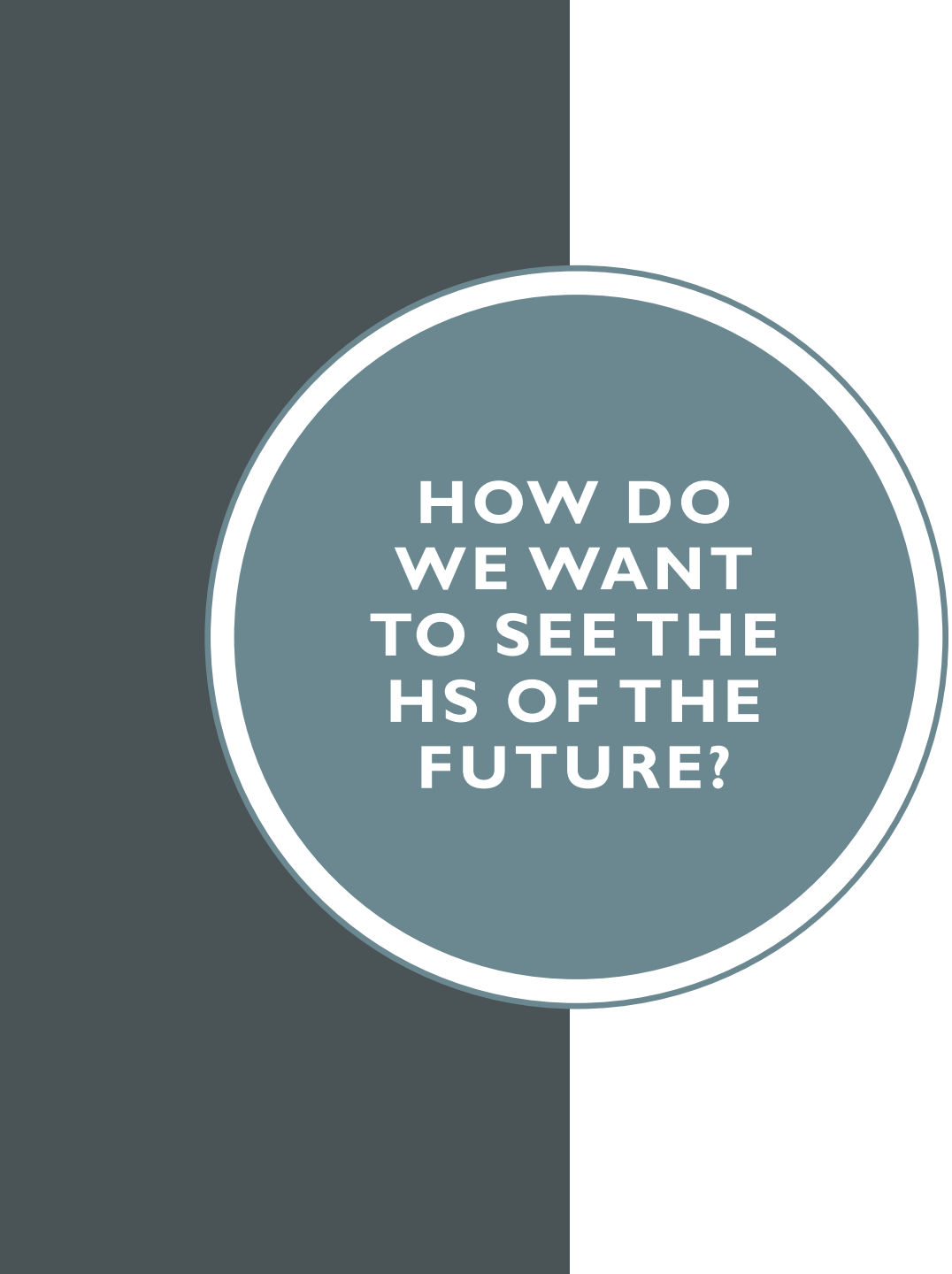
**The identification
of goods prior to
HS classification**

- **Manufacturers have the technical knowledge about their goods but hardly know the HS jargon.**
- **Resellers, retailers and SME's do not always have the required technical data on products. New traders with very limited knowledge and experience are joining international trade: e-Commerce, SME's.**
- **Staff in logistical and import and export departments do not always speak the technical language nor the HS terminology.**
- **Customs people do not usually master the technical language.**
- **Without proper identification of goods, the HS classification of goods may become inaccurate.**



**CHALLENGE:
CLASSIFYING
GOODS AT
NATIONAL
LEVELS**

- **Once goods are identified, applicable codes in the HS are identified by applying the GRI's and supported by the ENS.**
- **When classifying at the national level, GRI's are usually applied, *mutatis mutandis*, for the next levels in the national tariffs until the tariff code is determined. National criteria may not be aligned with the HS EN and WCO classification rulings.**
- **WCO classification rulings are a small fraction of all rulings worldwide. Most rulings are issued by national administrations.**
- **Most classification disputes happen between Customs Administrations and trade.**
- **Since national import and export tariffs are national laws, classification disputes can reach national courts. WCO customs rulings and explanatory notes are not always considered. Contradictory criteria may arise between national rulings and between rulings in different countries or between national rulings and WCO rulings.**
- **Any improvement to the HS that is not adopted at the national levels will not be of full benefit to trade.**



**HOW DO
WE WANT
TO SEE THE
HS OF THE
FUTURE?**

- **SIMPLE**
- **EFFICIENT**
- **PREDICTABLE**
- **RELEVANT**
- **VISIONARY**



SIMPLE

Think about:

- **Parts & accessories.**
- **Sets and kits.**
- **New products on the market.**
- **Products consisting of mixed materials.**
- **Chemicals.**
- **Multi-purpose goods.**
- **Steel.**
- **Functional units.**
- **Combination of machines.**
- **Separate chemically defined compounds.**

**HOW MANY
PEOPLE
CAN
EXPLAIN
EXACTLY
WHAT
THIS
MEANS?**

3. When, by application of rule 2(b) or for any other reason, goods are, prima facie, classifiable under two or more headings, classification shall be effected as follows:

- (a) The heading which provides the most specific description shall be preferred to headings providing a more general description. However, when two or more headings each refer to part only of the materials or substances contained in mixed or composite goods or to part only of the items in a set put up for retail sale, those headings are to be regarded as equally specific in relation to those goods, even if one of them gives a more complete or precise description of the goods.
- (b) Mixtures, composite goods consisting of different materials or made up of different components, and goods put up in sets for retail sale, which cannot be classified by reference to 3(a), shall be classified as if they consisted of the material or component which gives them their essential character, insofar as this criterion is applicable.



EFFICIENT

- **Simpler language**
- **Alignment of the HS to the standards and language used in industry**
- **Cross-referencing relevant technical standards and indexes to HS classifications: AISI, SAE, ASME, EN, ASTM, API, CAS, Merck index, etc.**



PREDICTABLE

- **Can the Explanatory Notes become part of the HS Convention?**
- **Goods classification should remain a purely technical endeavor. When external factors like higher taxation, maximum regulations or trade issues influence classifications decisions, uncertainty and ambiguity increase.**
- **Aligning the definitions and technical specifications in the HS to what is normally used in each industry can facilitate and increase the accuracy of the identification of goods.**
- **With reference to the interpretation of GRI 3(b), can more specific directives be provided by chapter, heading and/or sub headings as to what constitutes the essential character?**



RELEVANT

The HS is currently used for:

- **Tax collection.**
- **National and international statistics.**
- **Trade agreements.**
- **Rules of origin.**
- **Regulations by other national and international organizations: human, phytosanitary and zoosanitary organizations, environmental bodies and economic institutions.**
- **Trade and unfair practice disputes**
- **Security, consumer protection, IPR, etc.**



VISIONARY

Adaptable to future trends in trade:

- **New technologies and products**
- **Possibility to cover intangible goods like downloads?**
- **Can e-commerce operate without using the HS? Vast number of small packages with low value goods, sold and bought by many buyers and sellers with limited skills in the use of the HS and utilizing simplified clearance procedures and generic codes. Implications for the statistical role of the HS.**



**THANK
YOU!**

Francisco Jaime King Cancino

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(PSCG)**

**Past Chairman, International Federation of Customs
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HARMONIZED SYSTEM SURVEY AMONG IFCBA MEMBERS
AUGUST 2019

EXTRAORDINARY SESSION ON THE STRATEGIC REVIEW OF THE HARMONIZED SYSTEM

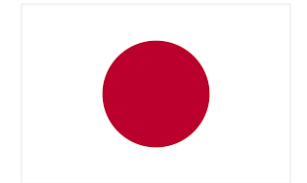
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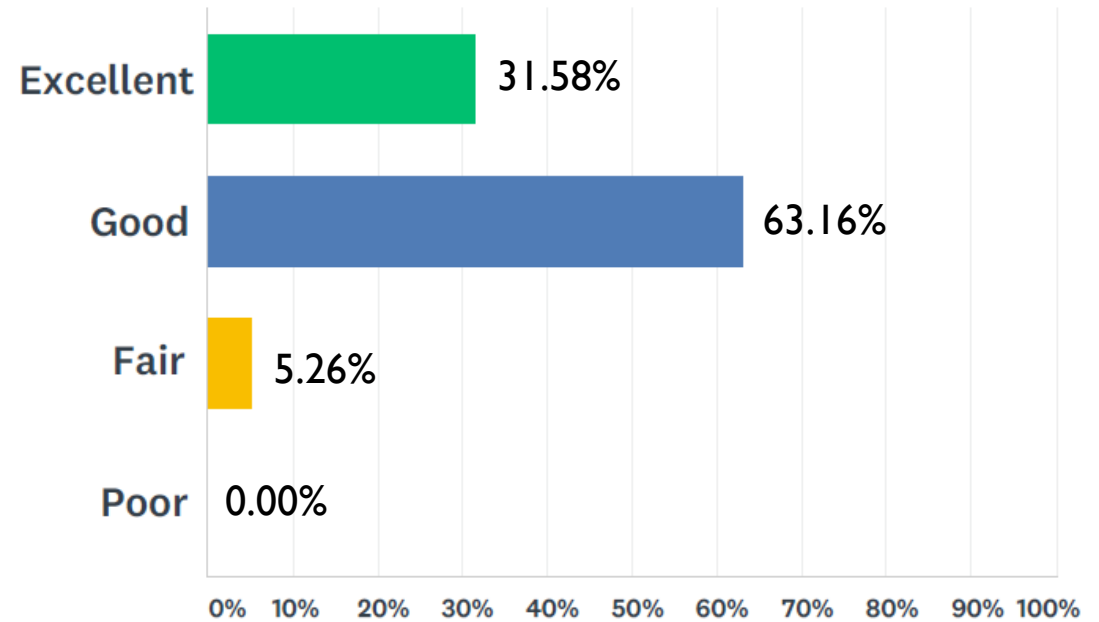
INTRODUCTION

- Angola
- Argentina
- Australia
- Canada
- Greece
- China
- India
- Japan
- USA
- Uzbekistan



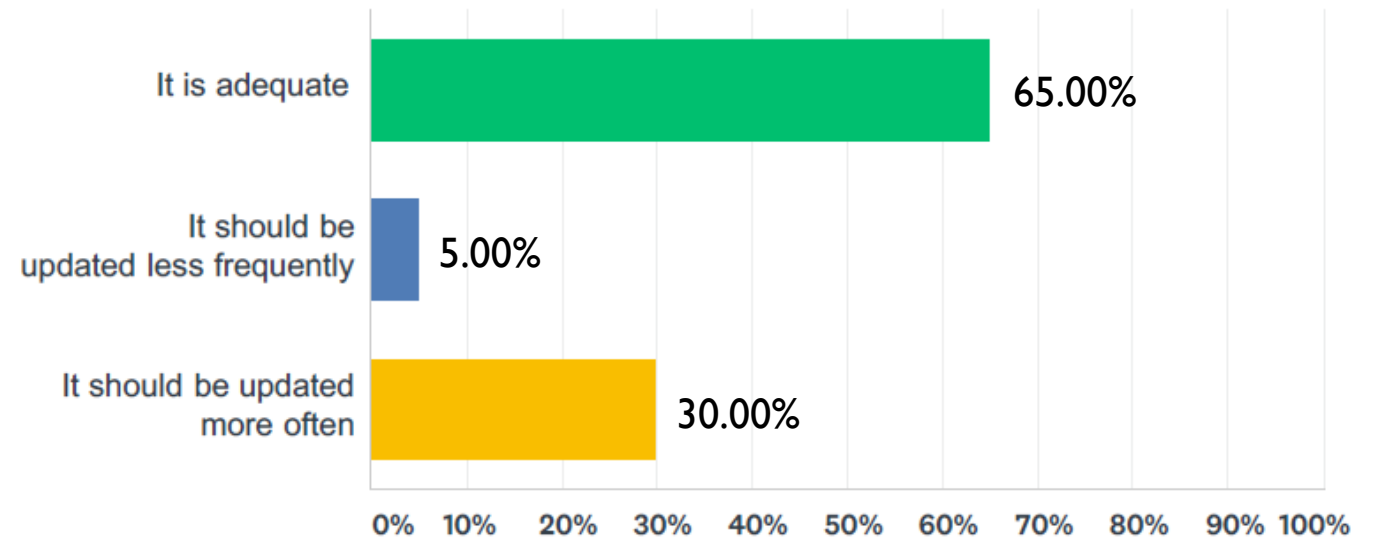
Q1

Q1 The World Customs Organization (WCO) updates the Harmonized System (HS) every five years. How would you rate your country's implementation of changes to the HS?



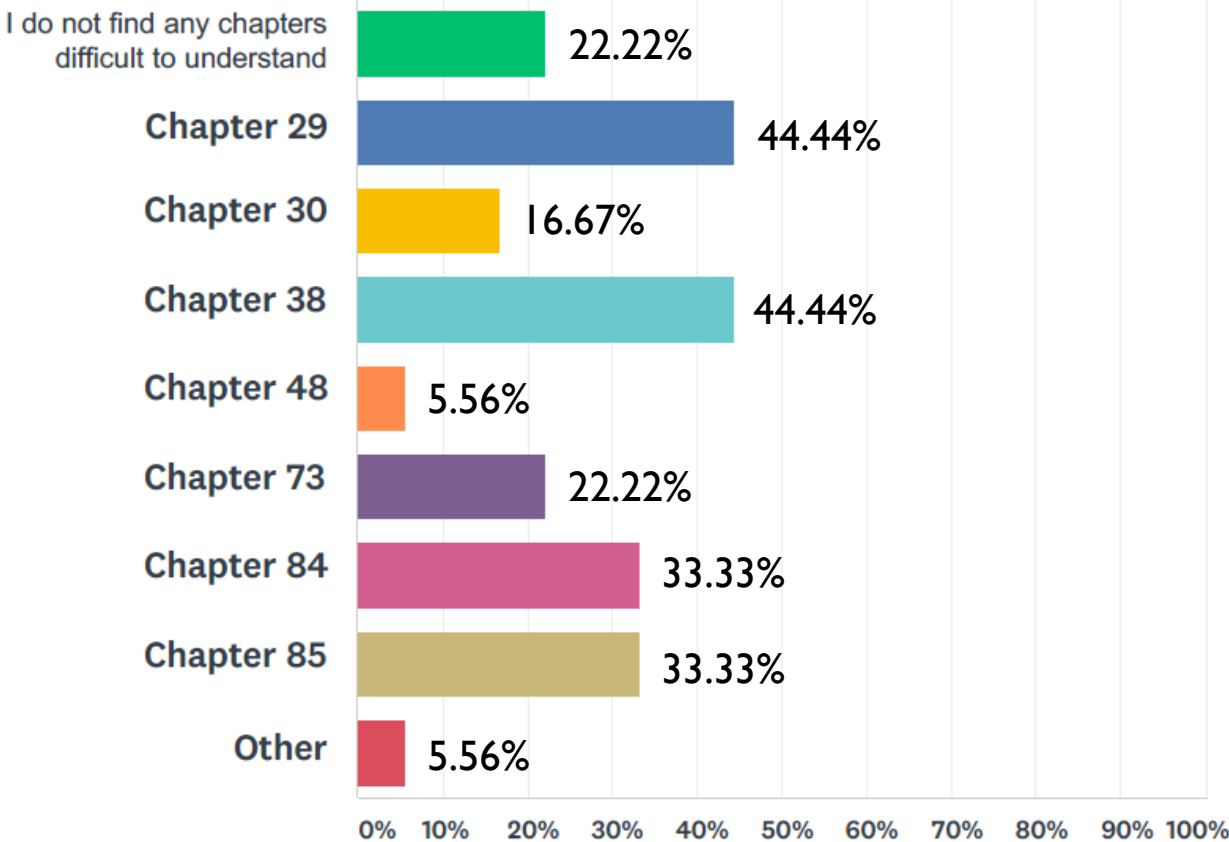
Q2

Q2 Do you think five years is adequate to update the HS?



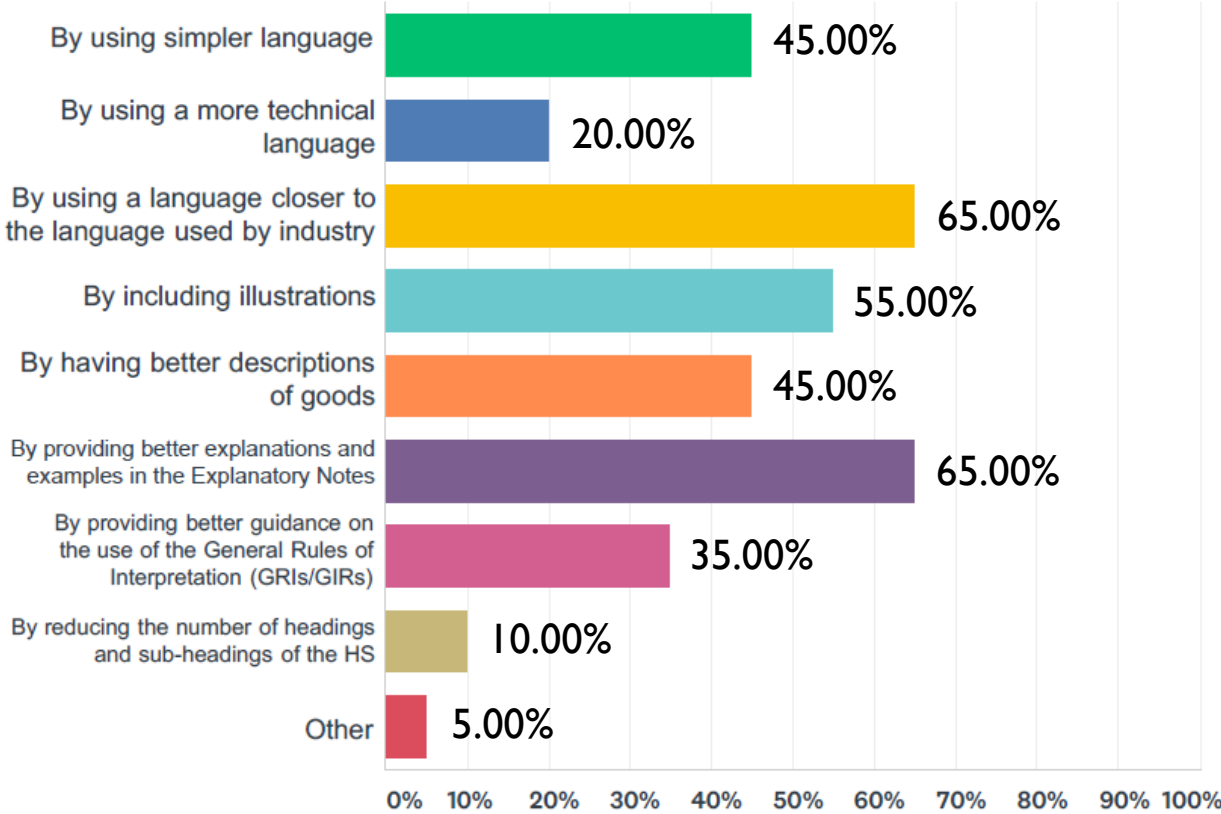


Q3 Some parts of the HS are difficult to understand. Please indicate which of the following chapters you find challenging. Select all that apply.



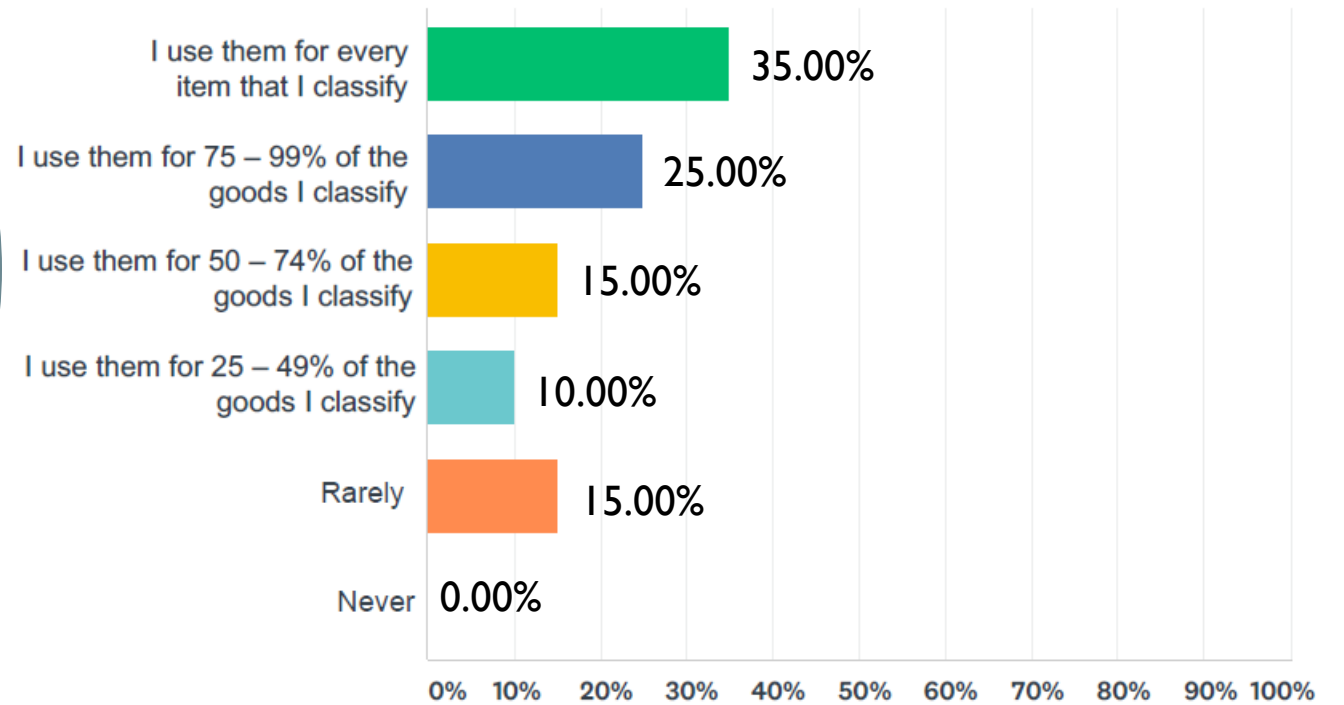
Q4

Q4 How do you think the WCO can improve the HS? Select all that apply.



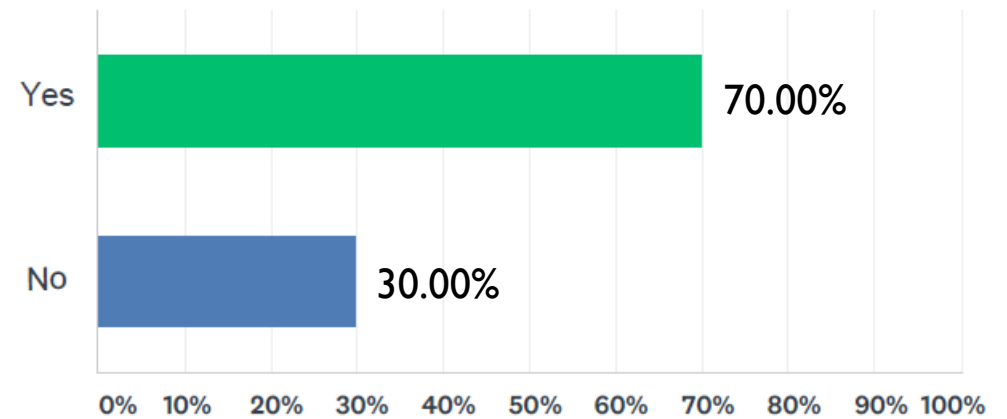
Q5

Q5 How often do you use the General Rules for the Interpretation (GRIs/GIRs) of the HS when classifying goods?



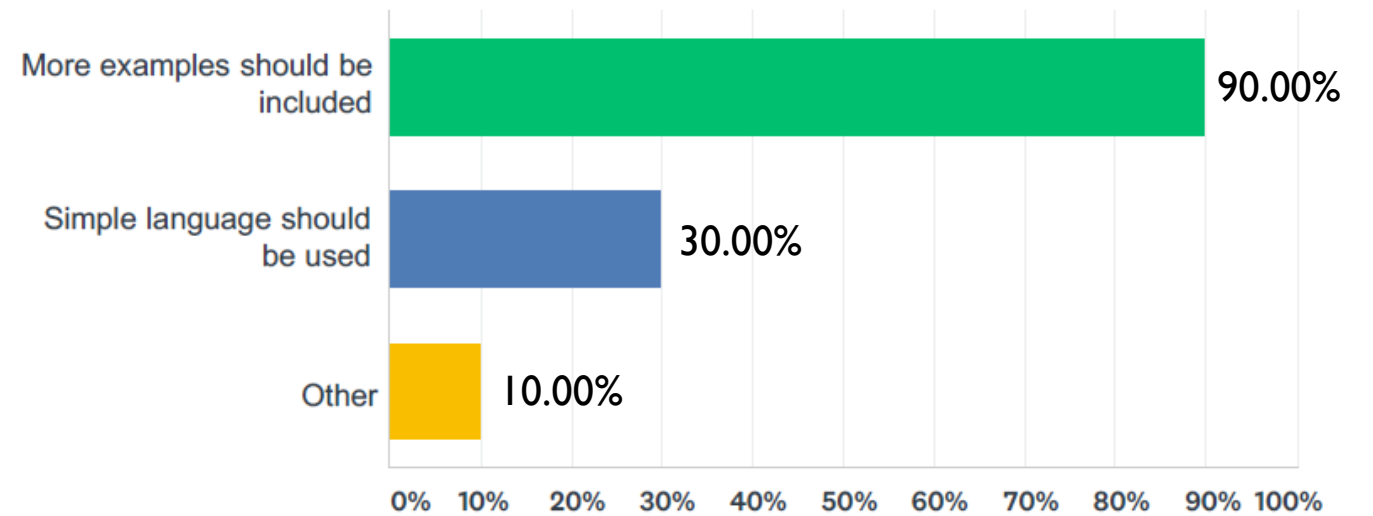
Q6

Q6 Do you think the General Rules for the Interpretation (GRIs/GIRs) of the HS are easy to understand?



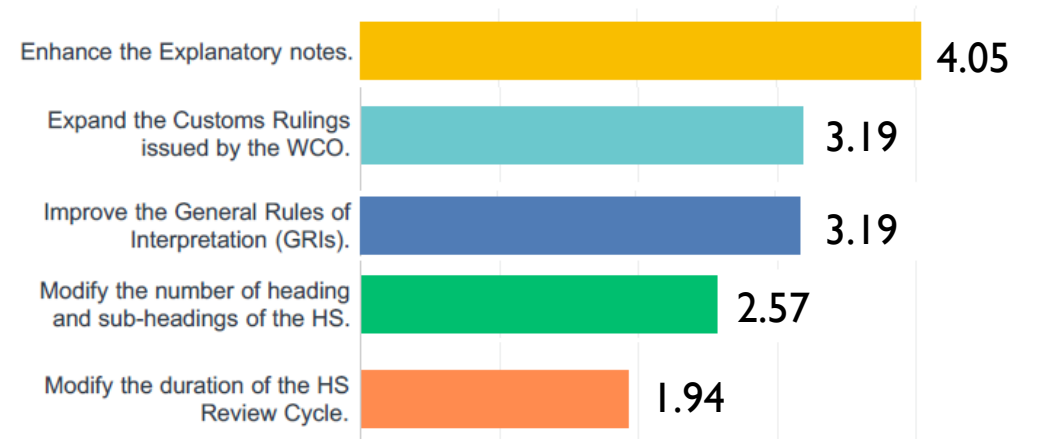
Q7

Q7 How might the GRIs/GIRs be improved? Select all that apply.



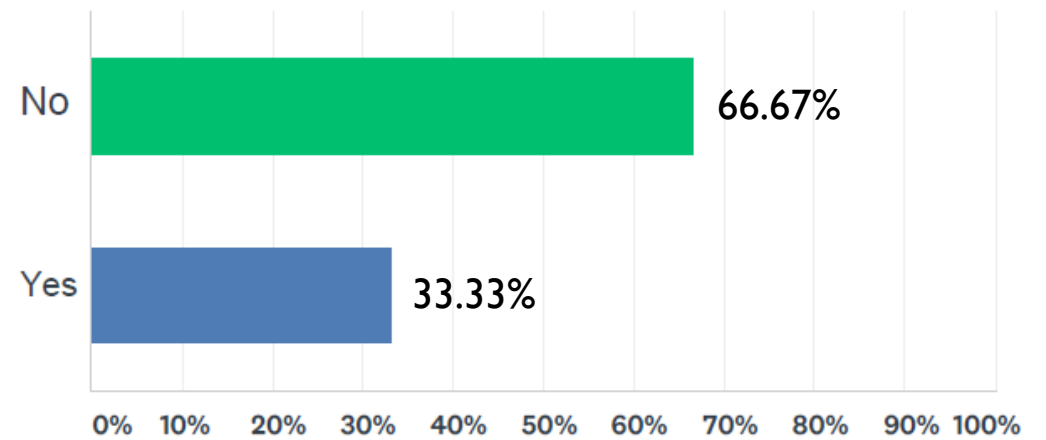
Q8

Q8 If the WCO were to decide to make changes to the HS without a full review, indicate on a scale from 1 to 5 the priorities that should be addressed. 1 being the highest priority and 5 the lowest priority.



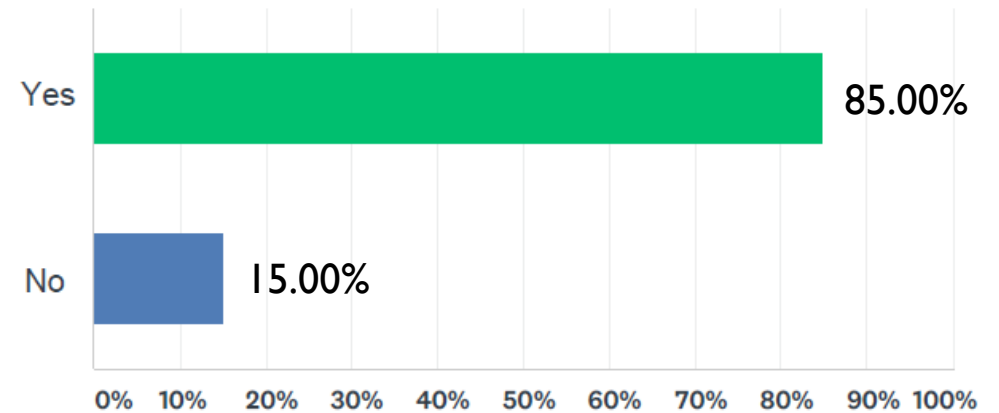
Q9

Q9 Are there specific tariff classifications that are most likely to be the subject of appeals or disputes with your Customs administration?



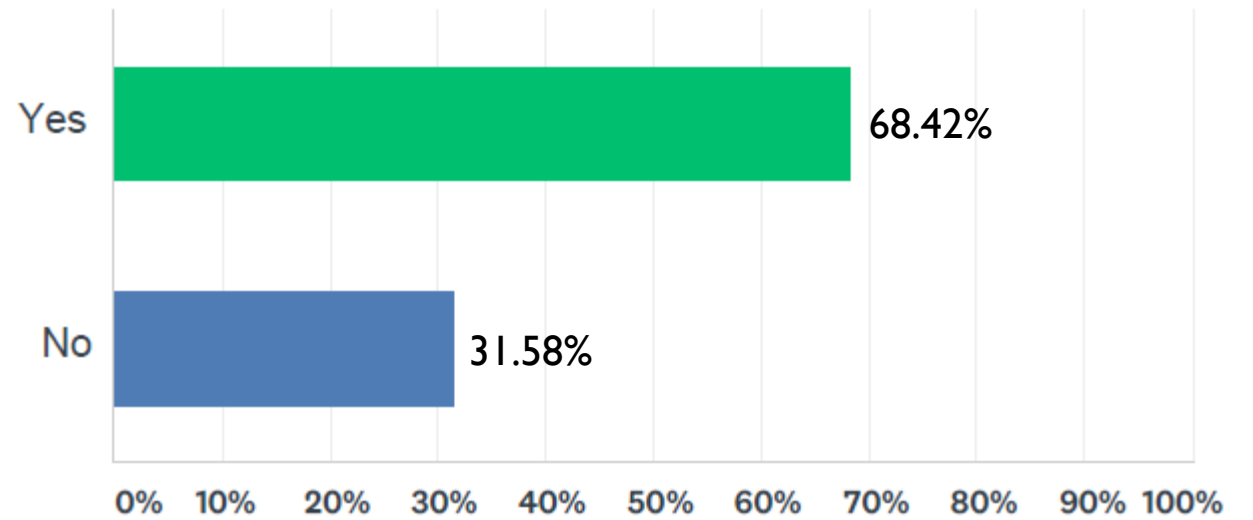
Q10

Q10 Customs administrations can issue advance rulings for tariff classification so that the importing community is aware of the correct tariff classification of goods. Does your Customs administration issue advance rulings?



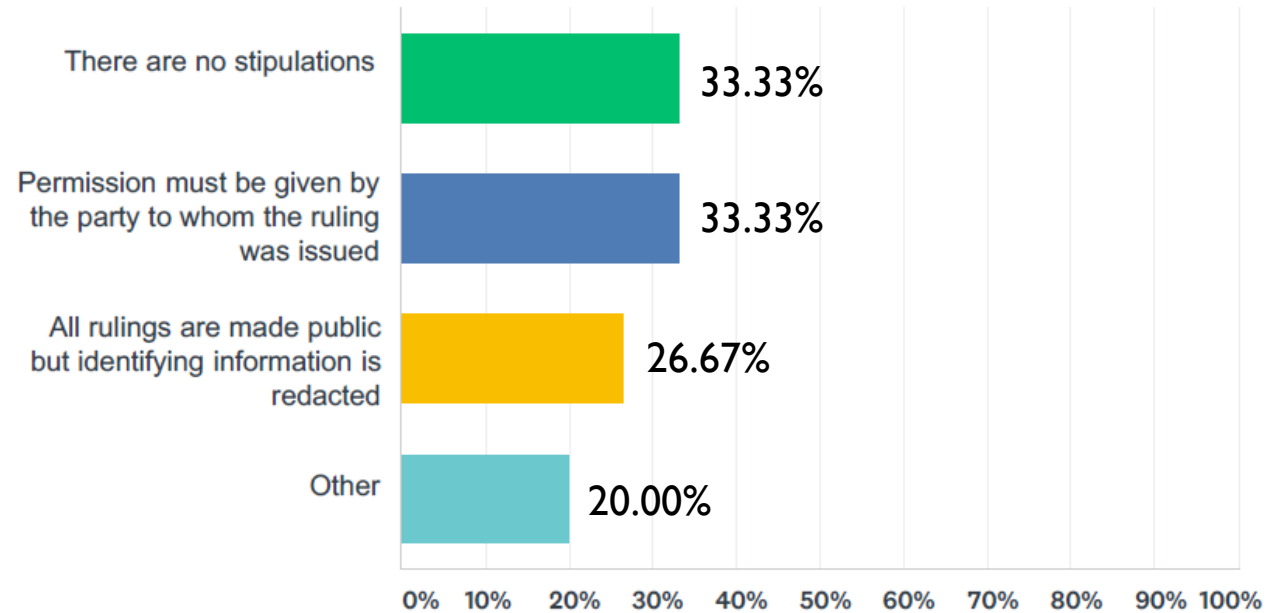
Q11

Q11 If yes, are advance rulings made public?



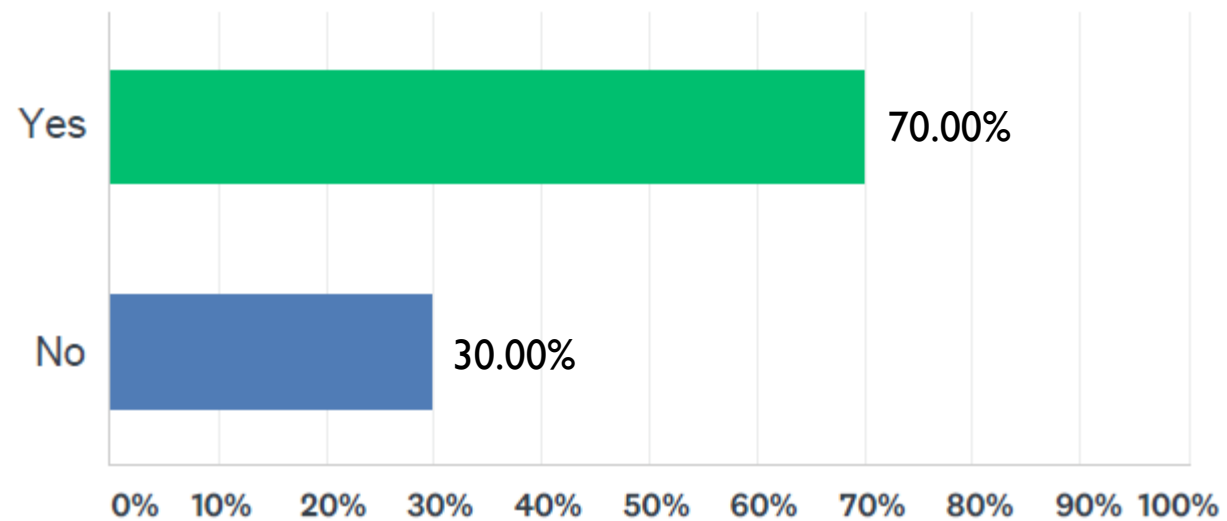
Q12

Q12 If advance rulings are made public, are there any stipulations before an advance ruling is made public? Select all that apply.



Q13

Q13 Have you purchased the WCO Explanatory Notes?





THANK
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