

## Customs Brokers and the Harmonized System Featured in WCO Conference.

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On November 23, 2021, I had the pleasure of speaking at the WCO's African Continental Conference on the Harmonized System. I've spoken at a number of WCO conferences this year, with subjects relating to things as diverse as AEO and Tech-Con, but this time I was asked to speak about something of special interest to IFCBA members – the role of customs brokers in the implementation and application of the Harmonized System. This was perfect, following on the discussions about HS 2022 that we recently had at the IFCBA virtual Board of Directors meeting. I was also delighted to be part of an all-women panel of experts, which happens rarely.

The IFCBA's connection with Africa is an important one. We have members in Africa and I was happy to see several messages from IFCBA friends in the chat. The first speaker on the panel was from the Global Alliance for Trade Facilitation (GATF) and it was the Alliance which engaged the IFCBA to do work in Zambia and Malawi on a customs brokers regulatory framework, so that was another positive connection. Presentations were limited to 10 minutes and I had much to say in that short period of time!

I set the stage with comments about the role and value of customs brokers. In most countries in the world, customs brokers are licensed by governments to release and account for goods, as third parties acting with legal authority from importers. In many countries, goods cannot be released without HS classification. The knowledge of customs brokers as a key component of customs broker licensing is very important in this context – companies are highly automated and make investments in the knowledge of people, resulting in the fact that customs brokers are experts in core customs competencies (valuation, origin and classification), and especially in classification. The WCO's Customs Broker Guidelines, developed following a survey of WCO members, is an excellent reference and reminder of the important role of customs brokers around the world. It is also important to note that the World Customs Organization, the World Bank and the Global Alliance for Trade Facilitation have recognized the importance of capacity building in the area, along with the IFCBA's expertise.

It was also important to set the stage of where we are with HS classification. The IFCBA held its 2019 Board meeting in Brussels and many of our members also participated in the WCO HS Conference. The HS has evolved over the years and is no longer used only for traditional revenue collection, but also for risk management, requirements of other agencies, negotiation of trade agreements, national trade statistics – all related to agendas of prosperity and competitiveness, and collaboration. The WCO conference concluded by saying:

*“The WCO Conference on the future of the Harmonized System recognised that the HS is an **essential tool for our global trade system** and plays a central role in trade and statistics. It acknowledged the current strength of the HS as a multipurpose tool and a truly universal language of world trade and one of the WCO's most successful instruments.*

*While expressing the view that the HS was still relevant and “fit for purpose”, the Conference also endorsed the idea that there was room for improvement to ensure that the HS remains compatible with 21st Century trade, changes in technology and the needs of users.”*

After some comments about what happens “on the ground” with HS tariff classification, I left conference participants with some thoughts to take away. It is important to recognize that one size doesn’t fit all, but there are good practices which could benefit both governments and business as changes are made to HS classification to reflect our world of new goods, new opinions, new technology, new supply chain models and new duty rates. The following are some thoughts.

- Streamline implementation of tariff changes – changes to the structure of the tariff may be infrequent at the WCO level (once every 5 years), but can be much more frequent nationally (as many as 3-5 changes a year).
- Leverage automation to provide file updates, concordance tables.
- Governments must take a multi-agency approach to collaborate with the private sector (i.e. Customs agencies, Ministries of Finance, Ministries of Commerce and Industry).
- Strive for clarity in processes and results of classification rulings.
- Set transparent service standards for tariff update information.
- Have joint industry-government outreach and communication. This can be done nationally, between countries, or regionally.
- Provide cost-effective access to the Explanatory Notes.
- Increase the HS knowledge base of both Customs and the private sector.
- Recognize that HS classification is difficult and compliance is essential, but costly. This is where capacity building initiatives are essential.
- Reconciliation of national interests may be especially challenging in Africa, but regional efforts for greater trade facilitation are encouraging.
- Support investments in your countries’ customs brokers through knowledge-based sustainable licensing frameworks.