

CUSTOMS PROCESSING SHOULD BE BORING

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Years ago during a conference in Brussels of the World Customs Organization, I was taken by how these culturally diverse customs officials from around the world became such good friends in a matter of minutes. At the first coffee break the delegates were talking to each other like long lost relatives. I asked an Australian friend why these customs officials so liked each other? His answer, we have to like each other, no one else likes us! On another occasion a good friend came back from an international business trip and could not wait to talk to me about a conversation he overheard on his international flight. It seems that he sat next to two government officials on their way to Brussels for a World Customs Organization meeting of the Harmonized System Committee. My friend related that for over two hours those officials were discussing and debating over whether a particular product was a pipe or a tube.

Knowing that I worked on customs issues he became very sympathetic about the work I was doing. He thought such issues were so boring. He said how could anyone spend any time arguing whether it is a pipe or a tube. Who cares? You should know that he is an international financier raising millions of dollars for industrial development projects. Obviously to him this was a boring subject but to those engineers building the petroleum refinery my friend was financing, whether the specifications called for a pipe or a tube may have been critical.

We frequently hear negative comments and jokes about how boring customs issues can be. Begin talking about the classification of electric motors at your cousin's wedding reception and watch the eyes immediately glaze over. Customs issues rival those of the computer wonks who discuss bandwidth, miliflops and the capabilities of Java versus XML. I always thought Java was a geographic location or a slang word for coffee. Shows what I know!

Even within the informed corporate community where the costs of customs processing in the supply chain can add as much as 8 percent to the price of a company's products there is no desire to hear about such problems let alone address them in the executive office or board room. While customs problems do have a significant impact on world trade, it really is a boring subject. There is no excitement like discussions of electronic commerce and buying the latest sports trading card on eBay. There is none of the social welfare emotion of the labor issues or the passion of the environment. Even the transportation issues command more respect. At least with transportation an executive can understand trucks, air, rail or ocean carriers because he can see them. He can also use skills to negotiate better rates or faster service. As good as he is he cannot personally negotiate a better import duty.

But it is okay for customs issues to be boring. We do not want our cross-border sales to be a roller coaster ride. We should be able to get lower costs and faster service but boring it should be. What is needed by traders in the international transaction as described by Deputy Commissioner of US Customs Sam Banks at a recent Americas Symposium is "predictability." Traders want it "boring" and they want it fast. We need to know that every time we export the same goods to the same country we will be treated the same way. The most disruptive aspect of any international transaction is uncertainty. How can a company price its goods in any market if it does not know what its costs will be in getting those goods to market?

We have written in past columns about the efforts going on around the world to facilitate trade. In APEC, FTAA, UNCTAD, TABD and now the WTO, trade and business facilitation are high on the work agenda. Recently, the FTAA Market Access Group member countries adopted 9 of 10 important measures on business facilitation. In November they will recommend to Ministers that these measures be implemented. These include streamlining procedures for temporary importation, expediting express shipments, simplifying procedures for low value shipments, adopting the Harmonized System for goods classification to the six digit level, using codes of conduct for customs officials and using risk analysis methodologies.

As good as that is, “nine out of ten ain’t bad”; the one not adopted is probably the most important. Control and release of goods has the greatest effect on just-in-time supply chain management. Only ten years ago it took 36 weeks from placing an order for goods in Asia to the arrival of those goods in the manufacturing plant in the United States. Today the time is 36 days! Countries ought to be able to clear goods within 48 hours using today’s modern techniques. The ministers need to take the initiative and adopt the tenth measure on control and release. Fortunately the executive offices of corporate America are taking note. Just last month the US Chamber of Commerce in conjunction with the Brazil-U.S. Business Council and the Association of American Chambers of Commerce in Latin America wrote to Ambassador Barshefsky to encourage her to get an agreement on these business facilitation measures from the FTAA ministers.

Mr. Banks is right on the money. To be predictable, countries must adopt modern techniques of risk management, automation and business process. The tools are out there from the World Customs Organization and the World Trade Organization to assist countries to achieve a modern customs system. By adopting and implementing the Harmonized System of commodity classification, implementing the Value Code, using the principles of the Pre-shipment Inspection and Rules of Origin Agreements and implementing provisions of the Revised Kyoto Convention on Customs Process, countries can make it possible for the international transaction to be even more “boring.”

The US, the European Union and a growing number of WTO members recognize the importance that efficient and speedy customs processing has meant to their own country’s economic development. Going into the next century these countries have realized that they must assist the developing countries adopt and implement similar processes. The Seattle meeting of the WTO Ministers will have on its agenda several related proposals concerning this important task. That three-day meeting is not the place to debate the relative merits of how to accomplish this work. The Ministers should agree that as “boring” as this may be, we must develop rules that will bring coherence to the implementation of the existing agreements and also set in motion a technical assistance

program for those member countries that need it. “Boring predictability” of the international transaction should be the goal. For my money, take all of the excitement out of cross-border transactions. Make it certain, dull and safe.