



## Summary record

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Tuesday, 19 October 2021 | 13.00 - 16.00 CET

VIRTUAL MEETING, [via Microsoft teams](#)

### Highlights and action items

- > **Next meeting – Q1 2022:** Date to come. Possibly hybrid live + virtual format, depending on COVID-19 situation.
- > **ICC strategic objectives and priorities:** Andrew Wilson, ICC Global Policy Director, gave an update on strategic policy priorities, centering on enabling a resilient recovery from COVID-19.
- > **Introduction of new leadership and discussion of priorities** for Commission.  
→ Call will go out for volunteers to join new working groups on:
  1. Customs Digitization
  2. Harmonized Systems
  3. Origin
  4. Valuation
  5. Circular Economy (at later stage)
- > **WCO engagement:** Update on PSCG, HCS, RSC, TCCV work.  
→ **Deadline for SAFE FoS Review input: 29<sup>th</sup> October.**
- > **Members are invited to send customs challenges** they experience to Secretariat.

### 1. Opening Session

#### Welcome and opening of the Meeting

Mr John Bescec, Chair, ICC Commission on Customs & Trade Facilitation opened the meeting and welcomed members. He underlined the mission of the Customs & Trade Facilitation Commission as leveraging technologies to enable global trade. Even though the pandemic has presented various challenges, it has also provided opportunities to tackle the challenges for cross-border trade as governments extend the use of technologies.

The Commission should be an open forum that gives members and National Committees visibility on global policy issues. It should also serve as a forum to address customs challenges faced by the private sector at local level.

#### Introduction of the Commission's new Vice-Chairs:

- Irina Kitiashvili, former Chief Operating Officer, IDS Borjomi Beverages (Georgia)
- Mahmut Kobal, Group Head of Customs and International Trade, Beiersdorf (Germany)
- Karen Poujade, Group Customs Director, Alstom (France)
- Anil Rajput, Senior Vice President of Corporate Affairs, ITC Ltd (India)
- Alejandro Terzián, Head of the Center of Excellence for International Trade and Customs Compliance, Bayer LATAM (Argentina)

- Segun Olugboye, Chairman and CEO, JOF Nigeria Limited (Nigeria)

## 2. Update from ICC Global Headquarters

### Briefing on ICC's strategic priorities for 2021/22

Mr Andrew Wilson, ICC Global Policy Director and Permanent Observer to the United Nations, gave an overview on ICC's strategic priorities for 2021/22. He underlined the importance of delivering the best service and value to members, while aiming for the greatest impact on global debates and key customs issues.

The pandemic has laid bare the core issues of importance and the return to basics has become clear – having Policy Commissions that are fit for purpose and work on relevant issues. With the new leadership in place and a clearer governance structure, the reach of each Commission can be increased. A clear work programme and clear deliverables combined with scaled up corporate engagement will enable the Commission to produce high quality policy work that will bolster effective advocacy. This will ensure ICC delivers true value and impact on key public policies.

Among the highlighted current priorities for our global policy work, one major campaign is in progress for COP26 to encourage governments to enable international emissions trading and effectively fight climate change. Two major products will be launched during COP26, underpinning our advocacy campaign: the Carbon Pricing Principles and the Sustainable Trade Finance Definitions. Another upcoming advocacy event will be the 12<sup>th</sup> WTO Ministerial Conference (MC12) for which we are planning to renew our campaign on the moratorium on customs duties for electronic transmissions, which will be discussed later today.

## 3. Report on WCO Engagement

### Overview on WCO engagement + upcoming reviews

Ms Florence Binta Diao-Gueye from the Global Policy Team explained ICC's recent activities related to the World Customs Organization (WCO) and upcoming opportunities for members to engage. In recent years, as Observers, ICC has successfully followed two Committees (Technical Committee on Customs Valuation (TCCV) and Harmonized System Committee (HSC) and one Sub-Committee, Review Sub-Committee (RSC). Engagement with the WCO has increased in recent months, now including the Private Sector Consultative Group (PSCG) and also the Permanent Technical Committee (PTC). The PTC meetings will take place from 25-27 October 2021 and we are invited as observers. An effort has been made to improve information sharing with members to provide valuable insights as well as engagement opportunities in the future. Review has been requested on the SAFE Framework until end of October in order for ICC to prepare a position to feed into the WCO consultations.

Sessions are usually organised with a document consultation phase that is discussed in an online forum and subsequently followed by virtual meetings. In December, the WCO will attempt its first hybrid meeting with the upcoming WCO Policy Commission session, after which decisions will be taken on the format of the meetings in 2022.

ICC is seen as the number one private sector organisation for the WCO and even if certain customs issues are out the scope of specific WCO Committees, ICC could still approach the WCO to propose new instruments or topics to be taken on.

### Private Sector Consultative Group (PSCG)

Mr John Bescec updated the Commission on the PSCG engagement. The PSCG is a group of companies and associations that was formed by the WCO Secretary General to advise and provide input from business to Secretariat on relevant customs issues. It is not a consensus-based group but its goal is to provide different perspectives and feedback on certain topics relevant for the WCO. Members get appointed to the PSCG by local customs authority for terms around 2-3 years. However, as a business association, the term limits do not apply to ICC. The PSCG presents a new opportunity to share ICC's views on topics of importance, such as valuation or origin.

The goal is to provide insight and share information for members through summary briefs. Keeping confidentiality is important as not even within the PSCG are formal minutes taken. While it is possible to share this information within ICC network, the information should not be shared publicly or for any other purposes. It is important that members have the opportunity to contribute and share useful information, for instance on AEO and how companies can streamline their cross-border operations and how these programmes can be expanded (e.g. free zones, reports on efficiencies).

### **Technical Committee on Valuation (TCCV)**

Mr Jean-Marie Salva, lead delegate of the Valuation Working Group reported on their recent activities. For the last TCCV session, the 52<sup>nd</sup>, from 18-20 October, ICC was represented by members of the Working Group and a presentation was prepared on the transport freight and container crisis (valuation treatment of transportation charges relating to the return of means of transport used in the transportation of imported goods). Main themes of the session were the implementation of Article 7 of the Customs Valuation Agreement (CVA) and post clearance audit (PCA) – and two advisory opinions have been adopted that are not yet published (4.18; 24.1).

- Issues arising for the private sector from the application of Article 7 of the CVA include:
  - 7.1, the base customs value on a price paid for a sale for export (which can be challenging when export without sale) and that value must be based on objective and quantifiable data (which is not always available in companies' systems).
- Art. 7.2, arbitrary and minimal values are main issues for the private sector in that they are undermining legal certainty and potentially harm the objectives of the CVA. For Art. 7.3, its heterogeneous application presents one of the main issues for the private sector, which shows the importance of customs valuation rulings (Article 3 TFA).

Concerning PCA discussions, two advisory opinions have been adopted: Advisory opinion 4.18 : “Royalties and license fees under Article 8.1 (c) of the Agreement” and Advisory opinion 24.1 : “Valuation treatment of imported goods bearing the buyer’s own trademark”. More details can be found in the attached [Valuation presentation](#).

### **Harmonized System Committee (HSC) and Review Subcommittee (RSC)**

Mr Ken Montgomery and Mr Jeff Bensing, lead delegates for the HS working group, presented on recent engagement with the HSC. The 7<sup>th</sup> edition of the HS nomenclature enters into force on 1 January 2022 that included 351 sets of amendments covering a wide range of goods.

ICC was instrumental and provided significant input with non-papers, presentations and demonstrations in support of the amendments for: Electrical and electronic waste, Novel tobacco and nicotine-based products, Unmanned aerial vehicles (UAVs, drones), Smartphones (new subheading), Flat panel display modules, Additive manufacturing (3D printing), Amusement park equipment, RF Generators and RF Matching Networks. The complete list of amendments can be downloaded from this [WCO webpage](#).

The 68<sup>th</sup> session of HS Committee took place from 6-28 September 2021 and updates on country implementation status will be communicated after the November RSC meeting.

With HS 2022 soon entering into force, it means that a new review cycle that enables new additions will commence soon.

The 59<sup>th</sup> Session of the Harmonized System Review Subcommittee Meeting (RSC) will take place from 15-26 November.

Input from ICC members will be sought for amendments within the HS and that report of the last session will be shared soon.

### **Discussion**

Members thanked for presentations and questions were asked in relation to valuation concerning 1. the treatment of free-of charge samples that are being delivered to future customers for checking and 2. the treatment of defective goods that arrive for repair (no transaction and upon reception, unclear if product is indeed defective and maybe even worthless or if it is just a matter of customer not having

plugged product – since package is closed). Fall-back valuation method should provide guidance and question if there are currently cases being discussed. Mr Salva confirmed that Art. 7 of the CVA should be applied to both situations. He recommended to check TCCV book if there are cases dealing with such situations and suggested that ICC should play a more active role, proposing new instruments. In this instance, it would be proposed to the EU that can present it at the TCCV. More guidance is need for many new situations.

Members agreed that ICC should try to play more active role within TCCV and propose new instruments and also reach out to EU Commission to draft an instrument.

One member asked when the explanatory notes for the HS will be released for business use. Mr Montgomery replied that it will be distributed during beginning of HS 2022.

#### 4. Strategic priorities for Customs & Trade Facilitation Commission

##### Presentation of priorities and Working Groups of Commission

Priorities have been prepared in consultation with members as follows:

1. *Championing the adoption of digitalised customs processes – leveraging successful pilot projects implemented by the Global Alliance for Trade Facilitation.*
  - a. Identify “best practice” digital reforms introduced by customs authorities during the Covid-19 pandemic; and make the “business case” for avoiding a return to paper-based processes.
  - b. Develop a roadmap or toolkit for effective customs digitisation (integrating the work of the ICC Digital Standards Initiative to ensure alignment with industry practices)
2. *Leading industry engagement on emerging policy issues within the World Customs Organization, in areas such as the circular economy and data transfers.*
  - a. Develop a whitepaper outlining effective customs measures to enable circular economy approaches based on industry experience
3. *Providing a platform to identify – and respond to – key in-country trade facilitation challenges utilising the full reach of ICC’s national committee network.*
  - a. Periodic survey of members and NCs to identify local customs challenges/frictions
  - b. Development of engagement strategy on customs valuation and classifications
4. *Making the business case for governments to adopt a permanent prohibition on the application of customs duties to data transfers at the World Trade Organization’s next Ministerial Conference.*
  - a. Start new campaign. Possible events at WTO or WCO. – discussion in later point in agenda.

Priorities will be delivered by new or refreshed working groups on:

- Customs Digitisation
- Harmonized Systems
- Origin
- Valuation
- Circular Economy (at later stage)

Participants of existing working groups are invited to continue their work, but idea is to expand the groups to ensure more diversity and global representation. A call for volunteers will go out by email shortly.

##### Discussion

Members have voiced their support for the new working groups and the plan forward. With relation to the PSCG engagement, it was raised that it would be useful to get a deeper insight into the AEO work and the need to support industries in Africa to understand the benefits and to support customs authorities.

It was also mentioned that a range of “non-trade issues” such as human rights, gender and equality in relation to supply chains could be useful to consider.

## 5. Discussion with guest speaker

### Outlook on current supply chain challenges

Mr Krishnan Ramadurai, Head of Capital Management at HSBC, gave a presentation on current supply chain challenges through a finance lens.

Supply chains have evolved massively since the 1990s and are a manifestation of globalisation. It has become critical to integrate into “just-in-time” supply chains, which also applies to inventory management that keeps economies running.

The entry and rise of China in the world economy as well as their WTO entry in 2001 is seen as game changer and made supply chains a central force within manufacturing activities.

The design of supply chains have enabled the lowering of costs and have improved efficiencies in production. From a financial perspective, this development has been beneficial to keep inflation and prices low and in terms of innovation, it is also a big advantage since suppliers as well as buyers (who remain trade creditors) have better access to financing. Overall, physical and financial supply chain interaction works very well.

When the COVID-19 pandemic struck, going from vaccine research to production was enabled through global supply chains. While the pandemic has accelerated substantial changes to economies through digitalisation, supply chains have experienced various disruptions due to COVID-19 shutdowns and other factors. The recovery has been uneven and supply chains have to deal with a spur in demand from advanced economies.

Among the disruptions, semiconductor shortages caught people off guard as well as the shortage of chips, given that investments cannot be ramped up quickly even though there is increased demand from technology sector. The increased demand for shipping was also coinciding with labour shortages at different points in the supply chain, for instance at ports.

Additionally, ESG issues have become more relevant for many stakeholders. In the energy sector, the commitment not to finance coal triggered by ESG commitments, drove up gas prices. While prices are going up for individuals, central banks will withdraw support, which will result in increased interest rates. This development raises concerns with regards to absolute consumer level of prices as well as an expected change in consumer behaviour. When interest rates go up, funds will flow into emerging markets.

What lies ahead is that governments will withdraw their support schemes increasingly and ESG related issues will remain at forefront. Supply chains will continue to transition from just-in-time to just-in-case management.

## 6. Other Commissions and customs' related work projects/initiatives

### Global Alliance for Trade Facilitation

Ms Valerie Picard, Deputy Director of the Global Alliance for Trade Facilitation, updated the Commission on their recent activities. The Alliance is a public-private partnership for trade-led growth, supporting governments in developing and least-developed countries in implementing the World Trade Organization's Trade Facilitation Agreement. The Alliance is led by the Center for International Private Enterprise, the International Chamber of Commerce, and the World Economic Forum, in cooperation with the GIZ (Gesellschaft für Internationale Zusammenarbeit).

Currently, 31 projects are in process, while additional ones are in the pre-scoping phase. The value of the Alliance portfolio is \$27 million and most projects are in sub-Saharan Africa. It is a development initiative and it pushes to work in more least developed countries, even though businesses seem to prefer more developed markets.

Five new projects have been approved in Q3 2021, among them in Bangladesh and Jordan. In Columbia, the aim is to establish a Centre for Excellence to support the growth of Columbia's automotive industry as a critical economic driver of their economy. There are also business action projects in process whose scope might be expanded.

One of the scoping projects is in Senegal on valuation procedures and is being worked on together with the local technologies association as well as customs, who are also supported by the WCO.

More information can be found [here](#).

### **Digital Standards Initiative**

Ms Hannah Nguyen, Deputy Director at ICC's Digital Standards Initiative, introduced the DSI and updated subsequently on latest development. More details can be found in the attached [DSI Presentation](#). Members appreciated the presentation and found it useful for the DSI and the Commission to share information and potentially collaborate in relevant overlapping areas, such as data sharing and interoperability.

### **ATA Carnet**

Ms Yuan Chai, ATA Carnet Manager at ICC, presented on the ATA Carnet and notably the e-ATA project that is done in cooperation with the WCO. Details on the functioning as well as the roll-out of the e-ATA Carnet can be found [here](#).

### **Taxation Commission**

Ms Raelene Martin, Deputy Director, ICC, provided an update on the OECD/G20 Inclusive Framework Agreement that was mandated to find a solution to address the tax challenges of the digitalisation of economies by mid-2021. Details on the Agreement and ICC's engagement on the topic [here](#). Ms Martin also updated the Commission briefly on the ICC Indirect Tax Working Group that benefits from participation of Customs & Trade Facilitation members.

### **Banking Commission**

Mr Tomasz Kubiak, from the ICC Global Policy Team, updated the Commission on recent changes and activities of the Banking Commission. The Banking Commission has been restructured and the leadership has been renewed completely at the steering group level.

Recently, the 2021 Trade Register Report that gathers credit risk data has been released. A new business model has been introduced to enable a greater reach of the Report.

The Banking Commission is also working on the implementation of the URDTT, Uniform Rules for Digital Trade Transactions, that have been released recently. The DSI is cooperating with the Commission on this work stream that aims to digitalise trade finance.

Another important work area of the Banking Commission is the Financial Crime And Risk Policy Task Force that is working against fraud, money laundering and financing illegal activities. Recently, the Banking Commission also set up a Sustainable Trade Finance working group that aims to create a taxonomy for definitions and standards for sustainability. For this working group, ICC is cooperating with the Boston Consulting Group as well as ICC's Environment and Energy Commission.

### **Moratorium on customs duties on electronic transmissions**

Mr Raoul Renard, Government Affairs Manager in the ICC UN Observer Office in New York, gave a presentation on the proposal for a renewed campaign to extend the moratorium ahead of the 12<sup>th</sup> Ministerial Conference (MC12). More details can be found in his presentation [here](#).

Members agreed that a Multi-Industry Statement is a good advocacy tool to advance this policy position. The draft statement will be circulated to the Commission for comment and approval very shortly.

## **7. Regulatory developments and trends**

### **Discussion to hear from members on current challenges in their jurisdictions**

It was proposed to take the discussion offline and members were encouraged to provide additional input on challenges they face in their jurisdictions.

## **8. Close of meeting**

Members were thanked for their participation and engagement and were invited to provide their feedback on the session to make sure it remains a dialogue.