

CHAPTER 19

INTERNATIONAL ADMINISTRATION & THE WCO

19.1 Introduction

In this chapter we are going to look at international administration on Customs issues and concentrate on the work of the **World Customs Organisation** or **WCO**. The **WCO** is an **independent body with worldwide membership** of over **175 countries**.

These countries range from those within the European Union, such as the UK, to Ethiopia. In addition, from July 2007, the EU itself became a member of the **WCO**. The aim of the **WCO** is to **assist in the effective and efficient running of customs administrations**. It aims to ensure - in its own words - that international trade flourishes and it will take effective action against illegal activities. In short, the **WCO** tries to remove barriers to trade and simplify and harmonise customs procedures throughout the World. A full list of the countries it represents is available on their website, www.wcoomd.org

19.2 Background to the WCO

The **WCO** was initially established in 1952 as the '**Customs Co-operation Council**', and in 1994 became the **WCO** as we know it today. The **WCO** describes itself as a **forum where the member countries can tackle customs issues on an equal footing, and each member has one representative and one vote**.

The **WCO** is **made up of committees** that complete work that is set out in the **WCO's strategic plan**. The **WCO** is directed by a **Full Council** and a **Policy Commission** of which there are currently 24 members.

19.3 WCO committees

We've already said that the **WCO** works through its committees to achieve the objectives in its strategic plan but what committees does it have? The principal committees are:

- the **Finance Committee** which is currently made up of seventeen members;
- the **Permanent Technical Committee** with the Information Management Sub-Committee;
- the **Enforcement Committee**;
- the **Harmonised System Committee** with its two sub-committees, the review and scientific sub-committees; and
- the **Technical Committee on customs valuation and rules of origin**.

We will have a look at the work of some of these committees in a bit more detail.

19.4 Harmonised System Committee

We'll start with the work of the Harmonised System Committee. This might ring a few bells as we mentioned the harmonised system in the chapter on classification.

The aim of the committee is to **harmonise international customs procedures by the development of a harmonised commodity description and coding system**. What this means in simple terms is that goods should be classified consistently in all member countries, to the first **six digits**. This benefits international trade.

Illustration 1

Imagine that you export goods all over the world. What a pain it would be if different countries had different ways of classifying their goods. You would have to learn and comply with lots of different rules. Currently over **200 countries, which represent about 98% of the World's trade use the harmonised system**. Therefore, for our exporter who exports all over the World, he shouldn't have to learn many other rules!

The harmonised system is backed by **Explanatory Notes**, which we covered in the chapter on classification. These provide further detail about where goods should be classified. In addition, there is also a **Compendium of Classification Opinions** to help ensure everyone applies the rules consistently.

The Harmonised Committee also helps to ensure good customs and trade working relationships. It has three goals in relation to the WCO's strategic plan. These are:

- firstly to secure **uniform interpretation and application** of the harmonised system;
- to **update and improve the harmonised system** to reflect changes in technology and trade patterns; and
- to **promote the use of the harmonised system** by customs administrations and other government agencies, international organisations and the private sector.

Twice a year the Harmonised System Committee acts as an **international tribunal** with respect to classification of goods in the harmonised system. It is the body that can provide the most authoritative advice with respect to the classification of goods.

19.5 Technical Committee on Customs Valuation

We'll now take a look at the Technical Committee on customs valuation. Part of the WCO's strategic plan is to have the **World Trade Organisation's (WTO), Valuation Agreement** implemented by its members. This Agreement provides that customs values should mainly be based on the **transaction value** of the imported goods. You will have seen this in the chapter covering valuation. Remember it was **Method 1** out of the 6 methods.

The Technical Committee meets twice a year to ensure that there is **uniformity in the interpretation and application** of the WTO Valuation Agreement. The other major responsibilities the Committee has are:

- to **examine technical problems** that arise from the day to day administration of imports by its members and provide advice on suggested solutions based upon the facts that they have been given;

Where the Technical Committee makes decisions on these cases, they can be in the form of **advisory opinions, commentaries, case studies** and all of these are published in the **WCO's Compendium on Customs Valuation**;

- another of its responsibilities is to **provide information and advice** on questions concerning the valuation of imported goods as they have been received from its members;
- it **studies valuation laws, procedures and practices**; and
- it provides **technical assistance** to its members to enable them to understand the WTO's Valuation Agreement.

19.6 Technical Committee on Rules of Origin

The final Committee that we are going to take a look at is the **Technical Committee on Rules of Origin**. This is also referred to by the abbreviation **TCRO**. The Technical Committee deals with Rules of Origin for **non-preferential purposes** and aims to **harmonise** these rules throughout its membership.

You may remember from an earlier chapter that the non-preferential rules of origin are used to determine where goods originate for the purpose of applying measures such as **anti-dumping duties** or in order to determine whether a product requires an **import licence**. This committee does not look at preference rules for determining the country of origin in order to claim a lower duty rate.

Specific responsibilities of the Committee are;

- to provide **technical assistance** to its members. This could be in the form of training seminars;
- to **develop guides and practice manuals** on the harmonised Rules of Origin;
- to **study the certification/verification processes** to aid future implementation of the harmonised rules; and
- to **revise the Rules of Origin** as a result of amendments to the classification harmonised system, technological developments and for any disharmony that occurs.

Example 1

Which committee produces a compendium of classification opinions?

- A The Technical Committee on Rules of Origin
- B The Enforcement Committee
- C The Harmonised System Committee
- D The Permanent Technical Committee

Example 2

The Technical Committee on Customs valuation meets how many times a year, to ensure uniform application of the WTO Valuation agreement?

- A Twice
- B Once
- C Three
- D Four

Answer 1

The correct answer was C - the Harmonised System Committee.

Answer 2

The correct answer was A - twice.