



**International Chamber of Commerce**

*The world business organization*

## **ICC recommendations to member governments of the World Trade Organization on customs modernization and the simplification of trade procedures**

**Committee on Customs and Trade Regulations, 18 November 1997**

As consecutive GATT rounds have successfully reduced traditional tariff barriers to international trade, it has become increasingly apparent to world business - the engine of economic growth - that customs regulations and procedures are among the most significant remaining non-tariff barriers to global commerce.

A growing proportion of the movement of goods and services across international borders is the result of the global integration of supply, production and distribution systems. Increasing reliance on just-in-time production and delivery makes speedy customs clearance a major issue for business. In this context, simple, predictable and uniform customs controls, honestly and efficiently applied, are essential to ensure that the effects of global trade liberalization have a positive impact at the level of the individual international trade transaction.

In October 1996, as an initial business contribution to customs modernization, the ICC produced its "International Customs Guidelines", which were submitted to member governments of the World Trade Organization (WTO), in advance of the first Ministerial Conference of the WTO held in Singapore from 9 to 13 December 1996. The ICC Guidelines present a comprehensive set of recommended customs practices - such as the use of risk assessment techniques and post-entry audits - from the perspective of those engaged in international trade and transport. These recommended practices are intended to enhance trade facilitation and improve the effectiveness of customs controls.

As part of the decisions taken at the Singapore Ministerial Conference, WTO ministers in their declaration of 13 December 1996, agreed to "direct the Council for Trade in Goods to undertake exploratory and analytical work, drawing on the work of other relevant international organizations, on the simplification of trade procedures in order to assess the scope of WTO rules in this area".

The International Chamber of Commerce (ICC), the world business organization - the only representative body that speaks with authority on behalf of enterprises from all sectors in every part of the world - led the campaign on behalf of world business for customs modernization to be placed on the WTO's agenda. The ICC therefore regards the decision by WTO ministers as an extremely important and positive development and one that must be followed through.

Against this background, the ICC has been following closely and providing business input into the ongoing work at the World Customs Organization (WCO) to revise the 1973 International Convention on the Simplification and Harmonization of Trade Procedures, known as the Kyoto Convention. The ICC believes that a successful conclusion of the Kyoto Convention revision process is essential to ensure that the gains from trade liberalization achieved under the auspices of the GATT / WTO are buttressed by reformed, modernized, and harmonized customs procedures in line with international business requirements.

At this important juncture, the ICC wishes to underline to WTO member governments that world business urgently needs a comprehensive set of rules for ensuring high standards for customs procedures and practices in the form of a binding, enforceable and truly multilateral agreement. It also

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urges the WTO to promote and coordinate initiatives to simplify trade procedures, in order to reduce the substantial burden imposed on the international business community by existing customs procedures which do not match current trading practice.

The systematic simplification and standardization of trade procedures calls for the progressive removal of all unnecessary constraints on the individual trade transaction. The ICC places emphasis on the customs function because, apart from the requirements imposed by customs regulations themselves, such as revenue collection and repression of fraud and smuggling, customs services often administer a range of additional controls for other government agencies. Business would welcome a sustained and critical WTO interest in these other requirements, which the WCO itself, is in no position to modify or criticize.

Therefore, the ICC calls on WTO member governments to:

- give focus to the WTO's mandate on the simplification of trade procedures by concentrating on customs procedures as an essential complement to current WTO work on customs valuation, non-preferential rules of origin and pre-shipment inspection;
- work with the WCO to monitor progress in customs modernization and provide the necessary political support to ensure that the revision of the Kyoto Convention underway within the WCO produces a comprehensive set of rules for ensuring high standards for customs procedures and practices, in the form of a binding, enforceable and truly multilateral agreement;
- ensure that the highest possible number of WTO member governments adhere to a revised and strengthened Kyoto Convention in the context of the further set of multilateral trade negotiations provided for in the Uruguay Round agreements and due to begin before the end of the decade;
- request the establishment of a WTO working group on customs modernization and the harmonization and simplification of trade procedures to:

- analyze the impact of customs-related barriers to trade on WTO commitments;

- examine the steps that can be taken under current WTO rules e.g. customs transparency obligations under article X of the General Agreement on Tariffs and Trade, to reduce customs-related barriers to trade;

- assess the scope for enforcing the provisions of a revised Kyoto Convention through the WTO dispute settlement mechanism;

- promote and coordinate the development and implementation of initiatives to simplify trade procedures; and

- consult closely with representatives of business in this process.

The above recommendations will benefit not only the international trade community but also WTO member governments. Failure to recognize business needs for simple, transparent, coordinated, and harmonized customs and other official procedures, which maximize the benefits of information technologies, will erode the value of existing WTO achievements and inhibit further advances in trade

liberalization.

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