

**Testimony on Revised Customs Convention by
Mr. Michael T. Schmitz, Acting Assistant Commissioner,
Office of International Affairs, U.S. Customs and Border Protection**

Senate Foreign Relations Committee

June 17, 2004, 9:30 a.m.

Mr. Chairman and Members of the Committee, thank you for this opportunity to testify this morning on the importance of United States accession to the Protocol of Amendment to the 1973 Convention on the Simplification and Harmonization of Customs Procedures, or what I will refer to as the Revised Customs Convention.

The Revised Customs Convention presents a blueprint for modern and efficient customs procedures in the 21st century. Accession by the United States will present a significant step forward in the promotion of economic growth, national security and customs integrity at both the national and international level. The Revised Customs Convention under consideration today provides a global framework for modern customs procedures that are transparent, simple, predictable, efficient and effective. The Revised Customs Convention is the response of customs' stakeholders, both public and private, to the increased globalization of the world economy and reduced tariff barriers, particularly at the end of the last century. This Convention is the World Customs Organization, or WCO's, acknowledgement of the critical role of customs administrations in facilitating legitimate international trade while still effecting national customs controls. The Revised Customs Convention is also a global call for professionalism and integrity in all customs administrations. Lastly, but certainly of no less significance, the Revised Customs Convention is the WCO's response to heightened security concerns related to the movements of goods and people across national borders. Accession to the Revised Customs Convention by the United States would send a clear message to both businesses and governments that this country stands firmly behind customs procedures that facilitate, and do not deter, the legitimate and secure movement of people and goods across borders.

Let me take a moment to share with you some brief background on the Revised Customs Convention and why U.S. accession to it is under discussion here today. The Revised Customs Convention is the main customs facilitation instrument of the World Customs Organization. The WCO is an independent, inter-governmental body whose mission is to promote the efficiency and effectiveness of customs administrations. Headquartered in Brussels, Belgium, it currently has 162 Members, including the United States, and is the only global body focused exclusively on customs issues. Both U.S. Customs and Border

Protection and U.S. industry have taken a leadership role in WCO initiatives to facilitate trade and secure supply chains.

The WCO concluded the original Convention in 1973 in Kyoto, Japan. This original Convention had 63 Parties, including the United States, which acceded to it in 1983. Since that time, the Convention has been the main international framework for customs procedures applied to the cross-border movement of goods and people.

As the 21st century approached, however, globalization, the growth of international trade, and advancements in technology since 1974 resulted in a global customs Convention that was outgrowing its usefulness. WCO Members called for a more modernized Convention that would meet the demands and challenges of international trade and security in the 21st Century. More specifically, Members sought to enter the new century with a modernized Convention that set standardized procedures that were simple, transparent and effective. The non-binding nature of aspects of the original Convention created a global customs environment that lacked the transparency, uniformity and efficiency required to facilitate the increasing movement of goods and people across national borders. WCO Members wanted a Convention that contained standards and procedures that were binding on all Parties, but that also had enough flexibility to accommodate inevitable change.

Consequently, in 1994, the WCO undertook a five-year extensive review of the original 1973 Convention. This review culminated in 1999 with the unanimous adoption of the Revised Customs Convention we are here to discuss today. This review included input not only from customs administrations, but also from other government agencies, several international organizations and industry. The United States took a lead role in this review to ensure provisions that maximized benefits to U.S. industry and CBP's ability to carry out effective customs controls. In fact, it was not only CBP that championed this new Convention. Several American companies also took a keen interest and an active role. At the international level, private sector stakeholders such as the International Chamber of Commerce, the International Federation of Brokers Associations and the International Express Couriers Conference all contributed to the revision process and have expressed strong support for the finished product.

The Revised Customs Convention is based on the following principles:

- Standard, simplified procedures
- Continuous development and improvement of customs control techniques
- Maximum use of information technology
- Partnership between customs administrations and industry

Unlike the original Convention, the Revised Convention contains a Body and General Annex whose standards are binding on all Parties. This General Annex

includes standards for core customs functions, such as collection of duties and taxes, risk management, the use of information technology, pre-arrival processing, transparency of customs regulations, appeals procedures, and consultation between customs and industry. Standards must generally be implemented within thirty-six months of entry into force. For certain Transitional Standards, this period is extended to sixty months.

In addition to the Body and General Annex, the Revised Customs Convention contains ten Specific Annexes that address more specialized Customs procedures. These Annexes contain standards and recommended practices on such topics as warehousing, transit, temporary admission and drawback. Unlike with the General Annex, Contracting Parties have more flexibility to select which Annexes, or portions of annexes, that they will apply.

The Revised Customs Convention does not only facilitate trade. Its role in advancing global security is even more significant today than we ever envisioned in the pre-9/11 world in which we revised the original Convention. Effective customs controls and risk management techniques embodied in this Convention complement our homeland security initiatives. As an example, the Convention includes a commitment to use and standardize information technology. Advance electronic data on inbound cargo and travelers is a prime element of CBP's efforts to push our borders outward and protect our society from dangerous goods and people before they reach U.S. soil. The standardization of information also helps to prevent the movement of dangerous goods or people across borders by enabling customs authorities to coordinate not only with their international counterparts, but also with other agencies and industry in a timely manner.

In addition to their economic and security benefits, the more transparent customs procedures of the Revised Customs Convention are also a key component in customs anti-corruption initiatives. By requiring transparency in customs procedures, the Revised Customs Convention will promote the integrity and professionalism of customs administrations worldwide and reduce the susceptibility of American businesses and citizens to corrupt foreign customs practices.

At this point, I would like to stress that the United States is already compliant with all the provisions of this Convention that we propose to accept. These provisions represent approximately 90% of all provisions in the General Annex and ten Specific Annexes. Excluding the one Specific Annex to which we would not accede, the United States is already compliant with approximately 90% of this Convention. As permitted by the Revised Convention, we propose taking reservations to the remaining provisions, either because they conflict with our national legislation or because there is no national legislation that allows their application. As is stipulated in the Convention, CBP will review the United States' reservations to this Convention every three years with a view of

determining whether the United States can accept them or whether changes in legislation should be sought. However, it should be emphasized that accession to the Protocol of Amendment will require no change to current national legislation at this time.

The Revised Customs Convention will come into force three months after 40 Parties to the original Convention have expressed their consent to be bound by it. As of today, 32 countries have adhered to this Convention. As this number rapidly grows towards 40, it is even more critical that the U.S. become a Party. Upon entry into force, the WCO will establish a Management Committee to oversee implementation and its management. It is imperative that the United States be an active member of this Management Committee from the start so that we can help ensure that the Convention is implemented in a manner that contributes to our economic growth and national security.

I can assure the members of this Committee that many businesses and Governments are following our deliberations here today very closely. For American companies, the significance of U.S. accession is not necessarily the impact on customs procedures here in the United States, but rather the impact on customs procedures abroad and the predictability it will bring them as they export their products. Other Governments are looking to the United States for leadership as they decide whether they should adhere to the Revised Customs Convention and be legally bound to apply customs standards and procedures that, again, are modernized, transparent, simple, and predictable.

In conclusion, the Revised Customs Convention is a necessary tool for facilitating trade, ensuring economic growth, improving the protection of society and, consequently, for opening more markets for American businesses, both large and small.

As we move forward in the 21st Century, the need for modernized customs procedures is critical. These procedures must promote both trade and security. Mr. Chairman and Members of this Committee, the Revised Customs Convention provides such a global customs framework. Accession to this Convention by the United States would send a clear message here at home and abroad that the public and private sector truly can work together to facilitate trade and that trade and security are not mutually exclusive.

Again, thank you for this opportunity to testify before you today.

###