

Customs- 21st & Beyond

Anthony Cambas


Director, Center for International Trade & Development
International Trade Center –SBDC
Oklahoma State University

Objectives

- Gain a broad perspective on the history of U.S. Customs and Customs around the world
- Discuss the multifaceted role of Customs and Border Management
- Improve compliance rates and reduce border delays
- Explore Customs' impact on SME importers/exporters
- Analyze the changing roles of Customs over time
- Develop an understanding of trends in collaboration and harmonization between Customs around the world.
- Explore possible Customs roles in the future

"You have to **know** the **past** to understand the **present**."

Carl Sagan

A photograph of Carl Sagan, an older man with grey hair, wearing a dark suit and a brown tie. He is smiling and sitting on a large globe of Earth. The background is a vibrant space scene with various planets, moons, and stars.

History of

A photograph of the facade of a classical building, likely a customs house. The word "CUSTOMS" is carved in large, capital letters into a stone or concrete ledge. Above the letters is a decorative architectural element with a repeating pattern of small, square blocks. Below the letters, a portion of a classical column capital is visible.

Global History of Customs

- Evidence of ancient Customs tariffs & border controls
- In ancient Egypt “Director of Caravans” was a royal title
- 1st recorded Customs tariff
 - Palmyra in modern Syria circa
 - A.D. 136
- Customs became
 - more defined in Greek and Roman civilizations
 - much more organized in Medieval Europe
- Famous Customs officials
 - Adam Smith &
 - Nathaniel Hawthorne

History of U.S. Customs

- U.S. Customs almost as old as the USA itself
- Need to fund U.S government after the Revolutionary war
- The First Congress:
 - Passed the Tariff Act of July 4th 1789
 - Signed by President George Washington
- U.S. Customs Service and official ports of entry:
 - Established on July 31, 1789
 - The fifth act of Congress



Alien & Sedition Act of 1798

SEC. 3. And be it further enacted, That every master or commander of any ship or vessel which shall come into any port of the United States after the first day of July next, shall immediately on his arrival make report in writing to the collector or other chief officer of the customs of such port, of all aliens, if any, on board his vessel, specifying their names, age, the place of nativity, the country from which they shall have come, the nation to which they belong and owe allegiance, their occupation and a description of their persons, as far as he shall be informed thereof, and on failure, every such master and commander shall forfeit and pay three hundred dollars, for the payment whereof on default of such master or commander, such vessel shall also be holden, and may by such collector or other officer of the customs be detained. And it shall be the duty of such collector or other officer of the customs, forthwith to transmit to the office of the department of state true copies of all such returns.

U.S. Customs History

- First Customs duties
 - \$774.41 , August 5, 1789
 - on a ship entering New York from Italy
 - over 2 million in duties during its first year
- Critical source of revenue
 - Until Internal Revenue Service was established in 1913



In Addition to Revenue Collection

- Blocked the importation of prohibited goods
- Prohibited materials including “Seditious” & “obscene”
- Protected the country against “enemies” & “threats”

the same time of the liability (to damage suits or criminal charges)."

Customs Seizes Poetry—Not Fit For Children

Collector of Customs Chester MacPhee continued his campaign yesterday to keep what he considers obscene literature away from the children of the Bay Area.

He confiscated 520 copies of a paper-bound volume of poetry entitled "Howl and Other Poems" by Allen Ginsberg with an introduction by William Carlos Williams.

"The words and the sense of the writing is obscene," MacPhee declared. "You wouldn't want your children to come across it."

The books were being shipped from a London printer to the City Lights Pocket Bookshop at 261 Columbus avenue.

Lawrence Ferlinghetti, book store proprietor, said there were four-letter words in the poems, but:

"It is easily defensible as a work of art. The first printing was admitted to the U. S. and sold out."

U.S. Customs & Border Protection

- Created in March 2003 via the Homeland Security Act in response to 09/11
- Most of U.S Customs service merged with border control services of INS and USDA
- Investigative arms of U.S. Customs and INS merged to form Immigration and Customs Enforcement (ICE)
- Mission of CBP centered on protection of USA from terrorists and instruments of terror

Multifaceted Role of CBP

- Regulation of Imports (19 USC and 19 CFR)
- Export Enforcement (15 C.F.R.)
- National Security
- Work closely with Partner Government Agencies
- Revenue collection
- Process international travellers and cargo
- Health and safety
- IPR Enforcement

Customs Export Enforcement Authority

15 CFR 758.7 - Authority of the Office of Export Enforcement, the Bureau of Industry and Security, Customs offices and Postmasters in clearing shipments



Executive Order 13558 – Export Enforcement Coordination Center (E2C2)

- November 9, 2010
“Export Controls are critical to achieving our national security and foreign policy goals. To enhance our enforcement efforts and minimize enforcement conflicts, executive departments and agencies must coordinate their efforts to detect, prevent, disrupt, investigate and prosecute violations of U.S. export control laws, and must share intelligence and law enforcement information related to these efforts to the maximum extent possible, consistent with national security and applicable law.” –

Risk Management

- Effective use of limited resources
- Balance between control and facilitation
- More than information technology
- Risk Assessment
- Potential for non-compliance plus impact
- Dynamic; changes over time
- Strategic and Operational Philosophy
- Dissemination of information to trade community
- Shared Responsibility and Informed Compliance



Country Specific Risk Management

- Safety and Security (USA and EU)
- Revenue Collection (Developing Countries)
- Trade and Industrial Policy (Brazil)

Harmonization of Customs

- World Customs Organization (WCO)
- World Trade Organization (WTO)
- Free Trade Agreements (FTA)
- Bilateral, multilateral and plurilateral Agreements



Key Global Trends

- Single Windows and Trade Portals (Update info)
- Trusted Trader / Authorized Economic Operator
- Coordinated / Integrated Border Management
- Balance between trade facilitation and control
- Risk Management
- Advanced or Binding Rulings
- Non Intrusive technologies
- Less single transaction based enforcement
- Intellectual Property Rights
- Companies responsible for compliance

Coordinated & Integrated Border Management

- Multiple agencies working together
- Sharing of data
- Risk Management
- Bi-National Customs Ports of Entry-Exit
- Balance between facilitation and security
- Trade Facilitation

HS Classification

- World Customs Organization
- Enhances predictability for Customs and traders alike and reduces arbitrary enforcement
- Based on General Rules of Interpretation
- Harmonization up to the 6 digit subheading level
- Trade Statistics
- Admissibility and other government agency requirements
- Free Trade Agreement eligibility
- Rules of Origin (preferential and non-preferential)
- Targeting of imports and exports for review/enforcement

General Rules of Interpretation

Classification of goods in the tariff schedule shall be governed by the following principles:

1. The table of contents, alphabetical index, and titles of sections, chapters and sub-chapters are provided for ease of reference only; for legal purposes, classification shall be determined according to the terms of the headings and any relative section or chapter notes and, provided such headings or notes do not otherwise require, according to the following provisions:
 2. (a) Any reference in a heading to an article shall be taken to include a reference to that article incomplete or unfinished, provided that, as entered, the incomplete or unfinished article has the essential character of the complete or finished article. It shall also include a reference to that article complete or finished (or falling to be classified as complete or finished by virtue of this

Harmonized tariff Number Structure

Steel Pipe

7306.19.5110 - Harmonized Tariff Scheduled of the United States (HTSUS)

73: Chapter

7306: Heading

7306.19 Subheading



Rules of Origin

- Preferential vs Non-Preferential
- Determine country of origin
- Trade Statistics
- FTA eligibility
- WTO “Made in the World” initiative

STEEL OIL AND GAS LINE PIPE NAFTA RoO

7306.19.5110

73.05-73.07

“A change to heading 73.05 through 73.07 from any other chapter.”



Customs Valuation Methodology

- Based on GATT/WTO Standards
- Used in WTO member States and other countries
- Clearer rules for Customs and traders
- Reduces arbitrary Valuation and corruption
- Trade Facilitation measure

Customs Valuation Methodology

- Transaction value
- Transaction value of identical goods
- Transaction value of similar goods
- Deductive method
- Computed method
- Fall Back method

Challenges Going Forward

- Cultural impact (implicit and explicit)
- Risk Management priorities vary by country
- Customs RM and controls “Before, During and After”
- National & regional interests for harmonization
- WTO vs Non- WTO members
- Rules in English?
- Level of Transparency
- Integrated Border Management
- Account based not transaction based

Future of Customs

- Smart Phones
- Data
- E-Commerce
- 3 D Printers
- Commercial Exploration of Space
- Services
- Deemed Exports



GENERAL DECLARATION
(Outward/Inward)
AGRICULTURE, CUSTOMS, IMMIGRATION, AND PUBLIC HEALTH
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

Owner or Operator: NATIONAL AERONAUTICS AND SPACE ADMINISTRATION
 Marks of Nationality and Registration: U.S.A. Flight No.: APOLLO 11 Date: JULY 24, 1969
 Departure from: MOON (Place and Country) Arrival at: HONOLULU, HAWAII, U.S.A. (Place and Country)

FLIGHT ROUTING
(*Place* Column always to list origin, every en-route stop and destination)

PLACE	TOTAL NUMBER OF CREW	NUMBER OF PASSENGERS ON THIS STAGE	CARGO
CAPE KENNEDY	COMMANDER WILLIAM A. ARMSTRONG		
MOON		Departure Place: Embarking: NIL Through on same flight: NIL	MOON ROCK AND MOON DUST SAMPLES Cargos Manifests Attached
JULY 24, 1969 HONOLULU	COLONEL EDWIN E. ALDRIN, JR. LT. COLONEL MICHAEL COLLINS	Actual Place: Disembarking: NIL Through on same flight: NIL	

Declaration of Health
Persons on board known to be suffering from illness other than airsickness or the effects of accidents, as well as those cases of illness disembarked during the flight:
NONE

Any other condition on board which may lead to the spread of disease:
TO BE DETERMINED

Details of each disinfecting or sanitary treatment (place, date, time, method) during the flight. If no disinfecting has been carried out during the flight give details of most recent disinfecting:

Signed, if required: _____ Crew Member Concerned

For official use only
HONOLULU AIRPORT
Honolulu, Hawaii
ENTERED
Edward S. Mueser
Customs Inspector

I declare that all statements and particulars contained in this General Declaration, and in any supplementary forms required to be presented with this General Declaration are complete, exact and true to the best of my knowledge and that all through passengers will continue/have continued on the flight.

NAFTA Preference Criteria A:

Goods Wholly Obtained or Produced

(g) Goods taken by a Party or a person of a Party from the seabed or beneath the seabed outside territorial waters, provided that a Party has rights to exploit such seabed;

(h) Goods taken from outer space, provided they are obtained by a Party or a person of a Party and not processed in a non-Party;

(i) Waste and scrap derived from:

(1) production in the territory of one or more of the Parties, or (2) used goods collected in the territory of one or more of the Parties, provided such goods are fit only for the recovery of raw materials; or

(j) goods produced in the territory of one or more of the Parties exclusively from goods referred to in subparagraphs (a) through (i), or from their derivatives, at any stage of production.

Conclusion

- Awareness
- Do your research
- Develop contacts in the USA and destination country
- Use university and other local, state and federal resources on country
- Is implicit or explicit approach to research and communication with client aligned?
- Most impactful research and counseling time as counselor

Links

<http://trac.syr.edu/traccus/findings/aboutCUS/cusHistory.html>

<http://www.theatlantic.com/technology/archive/2013/12/how-do-we-welcome-astronauts-back-to-earth-by-making-them-go-through-customs/282122/>

<http://customsmuseum.org/history/>

<http://etc.usf.edu/lit2go/127/the-scarlet-letter/2264/introduction-the-custom-house/>

History of Customs

<http://www.youtube.com/watch?v=lQu28GYQhaU>

<http://www.youtube.com/watch?v=pfWi8qb3gio>