



# TRADE OBSERVER

*The official Customs Bridge monthly update*

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Customs renew itself

**MADE IN FRANCE, PREFERRED  
ORIGIN: WE EXPLAIN EVERYTHING**

**HS 2022: CHANGES AND NOVELTIES**

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STRENGTHEN THE SUPPLY CHAIN**

**WTO OMC**

# Made in France, preferred origin: we explain everything

*It is very likely that when you are shopping and you have the choice between two similar products, you will check the price, the characteristics and finally the origin of the product. And let's face it, if two products are worth about the same price and have similar characteristics, you will surely choose the one that was produced in your favorite country.*

## **But do you really know what that means?**

Many people think that the label on a product indicates the exact country where the product was made, but this is not true. In fact, products that were not designed in one country can be labeled "made in France".

The truth is that there are some exceptions where some producers may label their product as being made or produced in France even though this is not entirely true, however the producer must be able to complain about the so-called non-preferential origin laws established by the Customs Union Code (CUD).



The first rule is that a product that is entirely designed and produced in France can carry the label made in France, and yes so far it all makes sense. A product that comes from China for example can still carry the label made in France if it has received the last significant modification in France. Another example is a product that comes from China but the new value added to the product is made in France, then the product can also carry the label made in France.

As you can see, the "made in France" label does not mean that a product was 100% made in France, but that it at least received a significant modification here. But the impacts of the product's origin go far beyond what one might think. In the case of customs, the import duties on this product can be strongly affected by the origin, for example in the case of preferential origin.

## **But then what is preferential customs origin?**

Preferential customs origin is used by companies to reduce or cancel customs duties based on the preferential relationship that the importer's country (or customs union) may or may not have with another country.

## HS 2022: changes and novelties

*The Harmonized System (HS) nomenclature is the basis for customs tariffs and trade statistics in 211 countries. It classifies imports into more than 5,000 commodity groups, identified worldwide by a six-digit code. On January 1, 2022, the 7th edition of the HS will come into effect. The program will include significant changes and more than 350 new entries on multiple commodities.*

### The HS as the backbone of customs

The HS 2022 is designed to adapt to new trends in world trade by taking into account new product flows, innovations as well as environmental and social issues in order to obtain more visibility in trade statistics. Some product categories of high policy concern and high trade value have been given new classification provisions to clarify or simplify them. This includes e-waste, tobacco products and drones. Smartphones will also get their own subheading and explanatory notes. These changes are intended to better represent technological advances to address classification difficulties that confuse trade statistics for the industries involved. There are also measures related to security and counter-terrorism, particularly on dual-use items that can be diverted such as detonators. In addition, the 2022 edition of the HS introduces new subheadings for narcotic chemicals and certain gases under and/or at the request of various conventions and organizations (CAC, Rotterdam Convention, INCB, Montreal Protocol, etc.).



### Implementation

January 2022 is fast approaching and there is still a lot of work to be done at the WCO, country, and regional levels to implement the new edition of the HS on schedule. The WCO is currently working on updating HS publications such as the Explanatory Notes, Classification Opinions, Alphabetical Index and the HS Online Database. Customs administrations and regional economic communities are therefore encouraged to begin the process of preparing for the implementation of HS 2022 in their national tariff or statistical classifications. The WCO will intensify its capacity building efforts to assist members in their implementation.

Customs Bridge will provide all the new information contained in the new version of the HS in its application for its users so that they can continue to simplify their Customs procedures. More info on [www.customsbridge.fr](http://www.customsbridge.fr)

## Why AI is the best way to strengthen the supply chain

*The global economy is subject to upheavals that highlight the problems affecting the supply chain, impacting its entire organization, from the factory to the consumer, as well as inventory management.*

### The problem

The Ever Given incident blocked 12% of world trade and losses amounted to 10 billion dollars. It reminds us of the interconnectedness and fragility of the global economy. The supply chain is a process that remains very complex and uncertain, just like customs procedures. The supply chain involves physical flows that are increasingly interconnected due to the growing complexity of product lines. Thus, as soon as a market instability appears, if the supply chain is not agile and flexible, it impacts the routing of products. In addition, the just-in-time, low inventory management favored by suppliers is dependent on market stability, and depends on far too many elements to be reliable in the long term. Fortunately, there are innovative approaches to combat these uncertainties. With the use of the Internet of Things (IoT) in the supply chain, the amount of data will increase drastically. And the solution to make the most of it is artificial intelligence.



### And AI in all this?

Indeed, Machine Learning requires large amounts of data, provided by the IoT, to enrich the computer models. The objective of using AI is to react quickly to threats. This requires a high granularity on changes. Instead of looking at these on a weekly basis, we need to be more precise and move to a daily or even hourly level. The same is true for customs regulations: in order to monitor regulations, you need to have a high granularity on the measures that come into force in order to be able to comply with them at any time. Are there currently companies using AI for this purpose? Yes, Customs Bridge helps its customers to simplify their customs procedures by developing a high granularity AI engine in order to offer its users a powerful regulatory intelligence. The AI is now at their disposal to realize their regulatory watch. More information on [www.customsbridge.fr](http://www.customsbridge.fr)