

## Export Reform and the WCO PSCG

February was an amazing month. At the beginning of the month I was invited by the House Committee on Small Business Subcommittee on Agriculture, Energy, and Trade to testify at a hearing covering Export Control Reform. The following week I continued work at the World Customs Organization (WCO) with the Private Sector Consultative Group (PSCG) in Brussels.

I will start with a quick summary of my testimony about Export Reform. You can find a recorded version here: <http://ow.ly/YHPGM>

Export Reform has been applauded by U.S. exporters. As a member of the U.S. trade community, I appreciate the huge undertaking to modernize the U.S. export control system and the accomplishments to date.

The Administration is implementing export reform in three phases. Phases I and II clarified definitions, modified and rewrote regulations, as well as updated policies for export controls. The goal of Phase III is to create a single control list, single licensing agency, unified information technology system and enforcement coordination center. Phase I is finished and Phase II is nearly complete. Phase III remains on the horizon but most of the heavy lifting has been done.

Impacted agencies include the State Department and the Department of Commerce, Bureau of Industry and Security (BIS). To control only the most sensitive products, the Export Reform initiative moved thousands of items considered less sensitive from the State Department's jurisdiction to that of the Department of Commerce. While the movement of products and technology from the State Department to Commerce has been advantageous, it has not come without some drawbacks related to determining the level of control on a product and timeliness related to license requests.

For example, exporters must consult several different sections of the EAR in order to determine a) if the commodity is subject to the EAR; b) assign the required Export Control Classification Number (ECCN); c) identify the reason for control; and d) assess whether or not the reason for control triggers a license requirement for the destination country. Because mastery of a new set of regulations is now incumbent on many exporters, we have found that companies prefer the pain they are most familiar with – licensing products under the much more straightforward administration of the ITAR.

If an exporter determines that a license is required to export the commodity, the turnaround times for response from either the State Department or BIS often delays the export of the item especially when requests are volleyed between the two agencies and the other agencies they consult.

To date, BIS has provided excellent outreach on consulting and understanding the EAR to guide businesses through obstacles related to exporting, ease the transition from the ITAR to the EAR, and encourage competitiveness in the global marketplace. In addition, the State Department and Commerce have made strides in reducing the turnaround time on license requests. With some continued clarifications and



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expansion, Export Reform can play an enormous role in the corporate strategy of U.S. exporters. Reform provides increased competitiveness, predictability, and efficiency for the export community. BPE encourages exporters of all sizes to review their products to determine if they are subject to export controls. The learning curve is steep for the EAR and any exporter operating under this grandfathering period will be in a difficult place when period concludes.

Later in the month I was honored to again attend the PSCG at the WCO. BPE Global is serving under the American Association for Exporters and Importers (AAEI) flag and attended the PSCG meetings as well as the SAFE Framework of Standards meetings alongside delegates from customs authorities worldwide. In addition, both BPE Global and AAEI are participating in a Special Action Groups focusing on how business impacts the performance of Customs administrations as well as studying e-Commerce.

The PSCG kicked off its February meeting by inviting the top WCO management to meet the PSCG and present their priorities. As a group, the PSCG was extremely impressed with the mission, energy, knowledge, and confidence of the new management team. The PSCG then focused on examining aspects of the SAFE Framework as well as the progress of its Special Action Groups.

The PSCG agreed on a position about the SAFE Framework and presented its position the global customs delegates attending the SAFE Framework meeting. The PSCG commented on Mutual Recognition Agreements (MRAs). The team agreed that MRAs are beneficial as there is an exchange of information between customs authorities. However, the benefits of the MRAs are neither felt by the traders nor partner government agencies. In addition, many PSCG members voiced concern that the existing level of benefits do not justify the costs of staying an AEO member. The presentation was well received and the PSCG looks forward to comments from the delegates.

As I reported in October 2015, PSCG formulated several Special Action Groups to complement the work on the WCO's agenda.

BPE Global is participating in the Performance Measurement Special Action Group; AAEI is participating in the e-Commerce Special Action Group. The Performance Measurement team has had several conference calls since October 2015. It has made great progress in identifying potential approaches to fulfilling its mission, focusing the scope of work, and ensuring that the deliverables do not replicate reports published by non-governmental organizations or private sector studies. The e-Commerce Special Action Group has both published and presented its recommendation to establish a joint working group between the WCO and the PSCG members to develop a model that a) addresses government and trade challenges about e-commerce; b) provides visibility into the e-commerce supply chain; and c) facilitates legitimate e-commerce trade.

BPE Global believes that representing the private sector at the WCO is essential to supporting our customers globally. I will continue to provide updates on the progress of work of the PSCG as well as the Special Action Groups.

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