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**ZOOM
IN
TRADE**

SHINHAN Customs Service Inc.



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Grace Chang
CEO/Customs Consultant

I would like to express my deepest gratitude for being with us in 2020.

The year 2020 was a very difficult year for all of us.

You worked hard to survive the unpredictable economic situation while trying to stay healthy from Corona viruses that have infected the entire world.

We also spent a year trying our best to keep our heads above the water.

It has been a while since I have seen you.

My trace of movement has been limited to from home to work.

I haven't seen you for long and miss you so much.

Video calls, which were conducted one-on-one, evolved into video conferencing.

We had to satisfy our desires for skinship through computer screens as on-tact filling our desires.

The Cover Story for this month is '2021! A Year to Be Wary of Excessive Optimism'. Voice From the Field covers 'A Good Sales Article Is an Article That Is Remembered Well', and Inside Vietnam reports 'Amendments to the Settlement of Duty-Free Goods in Vietnam'. In addition, the Updates in Customs and Trade Related Laws is 'Revision of 「Notice on Import Customs Clearance Processing」', and the Customs Case Study is 'Item Classification Judgment of Other Steel Products and Parts Exclusively for Excavators'.

The articles for Cover Story and Voice from the Field of this issue were written by Professor Nam-gyu Park of Seoul National University and Su-min Lee, CEO of SM&J Partners. I would like to express my gratitude to Professor Nam-gyu Park and CEO Su-min Lee for contributing to this newsletter.

I wish you good health in the New Year 2021.

May health and peace fill your home and in everything you do.

A New World and a New Normal has come.

We should take this as a chance to reflect on our arrogance, acknowledge our weaknesses and be reminded that we are connected.

We should join our forces to defeat the little virus that attacks regardless of race, religion, gender, or political orientation.

So together, we will pass this 'turnaround point in human history'* safely and reinvent ourselves as a wonderful and beautiful mankind on earth.

BEST WISHES FOR A HAPPY NEW YEAR!

*Marcelo Gleiser (2020), CNN Opinion



In the evening

Kim Kwang Seop

Among countless stars
One looks down at me.
Among so many people
I stare at that one star.

As the night gets deeper,
Flickering stars disappear to the bright,
And I disappear to the darkness

Such lovely
you and I
Where and in what from Shall we meet
again?



▲ <Where, In What Form, Shall We Meet Again> Whanki Kim, 1970, oil on canvas, 236×172cm



Cover Story

2021! A Year to Be Wary of Excessive Optimism

2020 was, at least from a trade point of view, a year that we had never really experienced. According to a company that publishes logistics statistics, trade between Europe and South America decreased by about 50% on an air freight basis, trade between North America and Europe decreased by about 40%, and trade within Europe and between Europe and Africa also decreased by 20-35%. In addition, trade between Asia and Europe and intra-Asian trade also decreased by more than 20%. Only trade between Asia and North America decreased by about 5% compared to the previous year. It is hard to find in the past 50 years that the trade volume among almost all regions on the planet have decreased by more than two digits from the previous year.



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Companies that could run in no-contact mode such as Samsung Electronics and Kakao enjoyed an unexpected boom due to the unpredictable Covid-19 crisis. On the contrary, in industries such as travel companies and hotels, where demand had dropped abruptly, the fight for survival must have become an everyday occurrence. Even at this moment, almost all countries around the world are struggling with new crises and wars due to the third wave of Covid-19.

However, as we enter the New Year 2021, the best news is that the end is near. The news of the vaccine development that began in November and the news of the development of treatments from various countries around the world is giving some relief to many people. Not only that, we can expect and anticipate that the upcoming New Year will be better than at least 2020, which was a disaster.

Then, 2021! How would the global economy go?

First, let's look at the United States. Although Korea's share of trade with China in recent years has been much higher than that of trade with the United States, the US economy is of great importance in that it drives the global economy. In particular, with the inauguration of President Joe Biden, many people are hoping for a V-shaped recovery of the US economy. Is it really possible?

To say the conclusion, it is possible enough. Because 2020 was so bad, 2021 is bound to see remarkable growth compared to the previous year. According to the IMF, the U.S. economy is projected to decline -4.3% in 2020, which is the lowest growth rate in the past 50 years, excluding 2009, when it reached -2.5% during the last financial crisis. Because of this base effect, the US economy is likely to record very high growth rates in 2021.

In particular, in the recession that comes after a continuous boom, the most problematic is the prolonged recession due to excess facilities that exceed potential demand. However, this corona crisis was a recession caused by a sudden decrease in demand while the excess facilities were not high. Therefore, as demand recovers, excess demand is likely to occur in comparison to existing facilities. For example, Las Vegas hotels in the United States already have almost 100% reservation rates after September 2021, and some experts predict that when the aviation market opens, the average airfare will increase by about twice the previous year. In addition, aggressive fiscal and financial policies led by the Democratic Party are also likely to drive the recovery of the US economy. As such, production will increase due to rapidly recovering demand in the United States, and it is predicted that there will be a high possibility of a virtuous cycle structure in which equipment investment increases ultimately.

Then what about the European market?

To say the conclusion, the situation is not easy. Except for Germany, most countries in Europe depend on tourism revenues for more than 10% of gross domestic product. Most of these countries lost most of their tourism revenues in 2020. Moreover, the summer of 2021, which is said to be the peak season in the tourism industry, is also quite unclear whether it will be possible to freely cross the border. Therefore, it is highly likely that many European countries will lose more than 10% of their gross domestic product for the two year in a row.

The EU is not in a situation where it can provide indefinite financial supply like the United States. Because the more aggressive the European Union supplies liquidity, debt-to-equity ratio is higher, so it is difficult to find a political consensus in Germany and other countries.

In particular, with the conclusion of the Brexit negotiations, which continued for nearly four years, Britain withdrew from the EU's single market and customs alliance. Unlike in the past, when freedom of movement of people and goods was guaranteed, there is a high possibility that various forms of trade friction, such as reduction of fishing rights, will occur in British waters. The world's major media predicts that the number of documents required to be submitted to customs will increase by more than 200 million per year, and related costs will also reach around 10 trillion won. Since the start of the World Trade Organization (WTO), it is the first time that a significant country like the United Kingdom withdraws from the Economic Union, and the world will pay attention to what will happen in the future.

Finally, what about the Chinese market?

According to forecasts by domestic and foreign institutions, China's economic growth rate in 2021 will rebound to about 7-8%, and economic exchanges between Korea and China could also be revitalized with the opportunity of President Xi Jinping's visit to Korea. If these forecasts come true, China is expected to see the largest economic growth rate since 2013.

Taking one step further from here, a think tank in the UK announced a prospect that China will continue to grow faster than the United States and Europe by overcoming the coronavirus crisis before other countries, and will become the world's strongest economic powerhouse surpassing the United States in 2028.

However, 2021 is also likely to be a difficult year for China. First of all, the central and local governments, businesses and households all have considerable debt. In other words, there is very little room for consumption by all the subjects that make up the economy. Recently, there is a rare phenomenon in which leading Chinese companies such as Alibaba and Guizhou Maotai transfer their shares to the Chinese government for free. According to internal news from China, Guizhou Province, where Guizhou Maotai enterprises are located, is one of the provinces with the highest debt ratio among local governments.

Chinese companies are also quite unstable. Some tend to view the debt risk of Chinese companies as cliché. However, the recent debt problem of Chinese companies is quite different in that even state-owned companies that receive the strong support from the Chinese authorities are falling due to bankruptcy.

Tsinghua Unigroup, a state-owned company representing China's high-tech industry, was unable to repay its debt due in November, and Yongcheng Meidian, a state-run mining company in Henan Province, was unable to repay the debt, and the state-run Hwacheon Motor Company, which the Liaoning government owned an 80% stake, entered bankruptcy proceedings in November. The size of corporate bonds bankrupted in the Chinese market over the past three years has continued to exceed 100 billion yuan. In addition, because of the system that allows loans up to 90% of the home price, most of the rich above a certain level in China own more than five houses. Individuals also have a very high level of debt relative to their economic power. In this situation, concerns arise whether the recovery of the 8% level of economic growth is really realistic with only consumption led by the wealthy in China.



Putting these situations together, we can see how companies should reach 2021. In the grand scheme, as the International Monetary Fund (IMF) predicts that the global economic growth rate will rebound to 5.2% in 2021, 2021 is likely to be much better than 2020, the worst year. However, looking at major markets such as Europe and China one by one, 2021 is also expected to be a significant challenge for Korean companies with high export dependence. We should hope for the best in the new year, but we shouldn't be too optimistic. Now is a time when the majority of Korean companies have to take a very conservative approach step by step and be more robust than ever.

About the author

The author has been actively researching the future industries and global management strategies that the 4th Industrial Revolution will bring about, and recently, he has been consulting on future strategies such as Google, IBM, Samsung Electronics, and Kakao. He serves as the chairman of the Korea Creativity Association and has written 『Creative Thinking,』, 『Strategic Thinking,』 『Creative Thinking,』 『Creative Revolution,』, and 『White Color Innovation Strategy,』, and published his thesis in global journals such as Creativity Research Journal, Strategic Management Journal, and Journal of Management. He completed his bachelor's, master's, and doctorate degrees from the Department of Business Administration at Seoul National University and received his doctorate from New York University.



Voice From the Field

A Good Sales Article Is an Article That Is Remembered Well

Before reading this article, let's take a moment to think and answer this question. "Are you a salesperson?" If your answer is 'no', you need to reconsider your answer.

There is nothing that is not sales in the world

Sales is defined as the selling of goods or services to customers.¹ If your own activities are considered the products or services that are sold, there is nothing in the world that is not sales. With the exception of those deeply isolated from the rest of society, we all sell things everyday.² Global futurist Daniel Pink said that if anything can be interpreted as "selling", it is "sales" regardless how it is called.³

¹ <https://en.wikipedia.org/wiki/Sales>

² Zig Ziegler (2018), Sales Closing, Sansuya.

³ Daniel Pink (2013), To Sell Is Human. Cheonglim Publishing



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Teachers are people who sell their knowledge and experience to students for them to grow, and job applicants are people who sell their skills and passion to company interviewers in order to be hired. Leaders are people who sell their leadership to their employees to earn their followership in return. If you do something to achieve your goal by selling something such as goods, knowledge or experience to someone, you're a sales person, regardless of your job title.

What skills do you need the most to get results in any type of sales? The most important are sales writing skills. This is because in the era of non-contact, which has been fully established with Covid 19, non-face-to-face sales have become a necessity for survival, and writing is the most effective means of communicating and persuading customers. If you do not effectively write sales articles such as e-mails, proposals, and presentation materials, it is exceptionally difficult to achieve the desired sales results.

Do you by any chance think that sales performance in your field has nothing to do with writing? Think again.

A 'small difference' makes a big difference

There is something that successful people in the sales field commonly say. "Small differences in sales make a big difference." Of course, the 'big difference' here refers to the difference in sales performance. The sales field is never a place where performance is distributed fairly among participants. It's literally a "Winner Takes All" world where the winner holds the lionshare.

Brian Tracy, a globally known expert in the sales field, explained 'Winner takes it all' in the sales with the analogy to the horse races.⁴

⁴ Brian Tracy (2012), Strategic Sales, BIZ TALK BOOK

"If a horse came in first place with the step ahead in horse race, the horse will receive ten times the prize money of the horse that came in second place. Does it mean the winning horse is ten times faster than the second-place horse? Of course not. Then is it twice as fast, or 50 percent, or even 10 percent faster? Winner was only a step faster than the second-place horse, but this small difference resulted in the big difference which is ten times the prize money."

The sales field is a place where the concept of winner-take-all is much more severe than in the horse race. In horse racing, second-place horses are also given some prize money, but in the sales world, there are almost no rewards for second place. Only the person who makes a deal with a customer takes all of the results.

What does 'small difference' mean here? Think of someone who excels in sales, regardless of field, and what distinguishes him or her from others. There may be many differences, but largely, they can be categorized into two. One is skill, the other is mind.

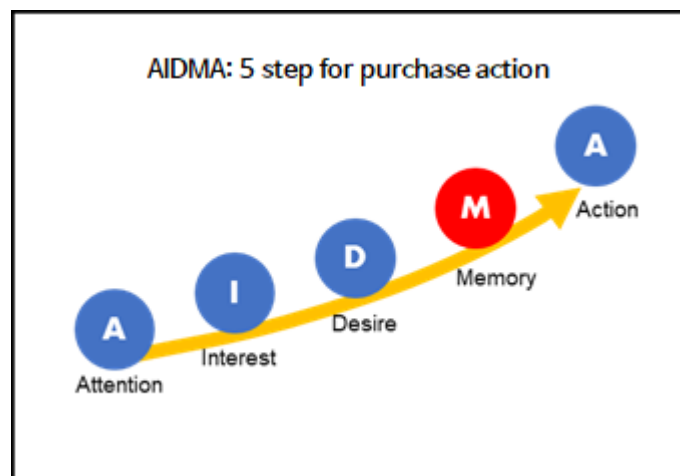
Has anyone succeeded in sales when their sales skills were not superior to others or had a poor mindset? Almost none. There may be very few cases that a person may seem temporarily successful, but that success would not last without sales skills and the right mindset. Small differences in skill and mind make a big difference in sales performance.

In summary, sales skill is a skill that effectively stimulates the customer's desire to purchase. Think about it. If the customer's desire to purchase is very high, do you need sales skills? Let's say someone came to the bakery because he was so hungry. Do you need special skills to sell bread to that person? You just need to wrap the bread and give it to that person. However, in reality, customers' desire to purchase is not always that high. Sometimes, you have to sell to customers who don't need to purchase. Sales skills are needed in times like this. Especially, when you need new customers, sales skills are needed more.

Sales skills are divided into speaking skills and writing skills according to the delivery method. Which skill is more important? Of course, both are important. However, as mentioned above, considering the increase in non-face-to-face communication in the sales field, more significance would be on writing skills.

If you don't remember, there will be no sales results

What is the biggest difference between sales articles such as proposals, presentations, business emails, and general articles such as novels and essays? The purpose of a sales article is to achieve sales results. Sales performance is completed when the customer buys or gets persuaded to buy. For customers to do what you want them to do, there are steps that must be taken. The 'AIDMA law' that is widely used in the advertising world as a model explains what steps people go through when making a purchase (see figure).



The keyword I want to emphasize here is 'memory', which is right before the action stage. Even if a potential customer focuses on the product and service and has a desire to purchase it because of interest, it cannot lead to the purchase if they do not remember the product. Since there is no change in customer behavior that the salesman expects, this sales has failed.

Therefore, a good sales article is one that contains a message that is well remembered by customers. An article that can be remembered well has the following six characteristics. This part can be applied almost the same way for speaking.⁵

⁵ Lee Soo-min (2020), Now Sell with Text Instead of Words, Sea Buckthorn

- Characteristics of well remembered writing -

1. Easy to focus and maintain the attention
2. Short and concise sentences
3. Easy to visualize the images
4. Easy to understand content
5. Makes you think
6. Connects with emotions.

Details of each item will be included in the next issue.

About the author

He graduated from Sungkyunkwan University majored in Law and received a master's degree from Seoul National University Business School (EMBA). He has built his career at the Hyundai Economic Research Institute and Hyundai Motor Company, and now runs an educational consulting company, SM&J Partners with Dr. Baek Soo-Jin, a job crafting expert. 'Sales writing', 'Strategic frame construction', 'Work immersion through job crafting', and 'Lecture skill and coaching' are the main lecture fields. His books include <Now sell with Text instead of Words> and <The Birth of a Lecturer: Effective Teaching Method Using Brain Science>.

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Facebook: <https://www.facebook.com/smnjpartners>



Inside Vietnam

Amendments to the Settlement of Duty-Free Goods in Vietnam

Currently, the customs review in Vietnam is focused on checking the tax-free settlement report that is applied when importing exported materials and processed materials. In Vietnam, in general, the scale of tax exemption applied by Vietnamese manufacturing and exporting companies, processing companies, and export processing companies (EPE) when importing raw materials is enormous, so it can be understood that it is to check whether the relevant tax-free imported raw materials are properly used.

As the recent revisions of the Vietnam Export and Import Tax Act Enforcement Rule 38/2015/TT-BTC and Enforcement Rule 39/2018/TT-BTC have been announced, we have compiled amendments related to settlement based on the contents previously confirmed in the relevant amendments. More changes are expected in the future, but it is necessary to prepare for future settlement affairs by understanding the basic revision of settlement related regulations.



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No.	Amendments	Existing regulations
1	The standard required amount is clearly stated than before, and clarifies the obligation to keep the data relating to the standard required amount.	Does not explicitly express the the standard required amount/ does not state the obligation to keep the data
2	Removes the obligation to submit the actual required amount of AEO companies, However during examination, related data need to be submitted	No regulations
3	Regulations of reporting obligations for consignment company's settlement reporting, the actual required amount, and the production facilities	No regulations
4	Specifies the correction for the actual required amount. - However, the decision to charge penalties will be made depending on whether the correction is made before or after 60 days from the date of filing the settlement report	No regulations (Only the corrected settlement report is specified.)
5	Determination of tax on the disappeared organizations and individuals - Determine based on the final inventory on the previous settlement report (if any) and the net quantity of import of raw materials - Settlement Report	The quantity of similar companies' products are considered
6.	Give the priority to E-CUS system transmission for the settlement report - Submission of a handwritten report is allowed only when there is a problem with the system.	Two options to submit the Settlement Report E-CUS transmission systems

		or handwritten reports
7	<p>Submission of separate settlement reports is stated in accordance with the classification of EPE production activities.</p> <ul style="list-style-type: none"> - Separate settlement report is needed if you do the manufacturing and processing activities at the same time. 	No regulations
8	<p>Add possible reporting period for disposal of material due to the company's processing contract expiration</p> <ul style="list-style-type: none"> - Disposal report can be made during production / processing. 	
9	<p>Regulations on reporting requirements for the fixed assets on EPE and other non-tariff applicable goods</p>	No regulations
10	<p>Change of the form for raw material inventory/payment</p> <ul style="list-style-type: none"> - Deletion of obligation to report IRS issued invoice number and the date for the scrap and disposal of the relevant goods that have been declared for domestic sales - Addition of 'In case of warehousing the goods for the next stage process according to other processing contracts' in column 6 (receipt) - Addition of 'Release of the goods that the export declaration is not made' in column 10 (outsourced processing, outsourced processing by EPE, transferring between EPEs) 	No regulations

<p>11</p>	<p>Change of the inventory/payment form for finished products</p> <ul style="list-style-type: none"> - Addition of 'Outsourcing for export declaration has not been fulfilled' in column 9 (outsourcing processing, outsourcing processing by EPE, transfer between EPEs, etc.) - Distinguish the processing agreements 	<p>No regulations</p>
<p>12</p>	<p>Change of the report form on imported processed goods from overseas(exports)</p> <ul style="list-style-type: none"> - List the processing agreement for each contract separately 	<p>No regulations</p>
<p>13</p>	<p>New regulations on EPE machine / equipment report forms</p> <ul style="list-style-type: none"> - Basic / import / re-export / domestic sales / disposal / final quantity listed 	<p>No regulations</p>
<p>14</p>	<p>New regulations on EPE applicable tariff free items reporting form</p>	<p>No regulations</p>
<p>15</p>	<p>Addition of contents on the actual required amount declaration report</p> <ul style="list-style-type: none"> - When the goods are listed as the report of the required amount is not possible on inventory of the raw material, it could be omitted on the actual required amount report - Additional explanation on the proportional calculation of production losses when two or more products are produced from one raw material, and scraps of raw materials used in the production of one product are used for the production of other products 	<p>No regulations.</p>



※ This information is constructed and rearranged by SHINHAN Customs Vietnam Co., Ltd. based on a released letter from Vietnam and has no legal effect.

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Customs Trade Related Law Changes

Revision of 「Notice on Import Customs Clearance Processing」

Reason for revision

Improvement of system such as inspection procedures, establishment of inspection procedures for direct pier clearing, addition of targets for immediate export of residual oil, clarification of importing partners, improvement of reporting items for promotion of inspection cost support projects, etc., and reflection of revisions to other laws

Main Content

- Improvement of regulations such as inspection procedures (Article 31)
 - (Current) The head of customs will notify the reporter to participate in the inspection procedure when deemed necessary for effective inspection.
 - (Improvement) Customs will notify the inspection plan to devise locations such as bonded warehouses and improve the inspection procedure with inspection preparation and cooperation from the manager of the device location.



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- Customs Inspection/Item Requirement
- HS Code Classification
- Duty Drawback

- Pier direct Customs clearance inspection procedures established (Article 30 2)
 - (Currently) operated as the pier direct customs clearance for wharf transportation and customs cargo inspection
 - (Improvement) Update the import inspection procedures to public notice for operation of efficient pier direct customs clearance inspection system (Abolition of guidelines related to direct customs clearance at the pier)

- Add the target of immediate export for aircraft residual oil prior to import declaration (Article 122, 123, 125, 128, 130, 131, 135, 136)
 - (Current) Advance import declaration is required for taxable residual oil when the conversion of qualifications for foreign traded aircraft to domestic flight for transit is approved.
 - (Improvement) Designate the residual oil as a target for export prior to import declaration for rapid qualification conversion approval(Active administration to support the aviation industry)

- Clarify the documentation of import accounts and addition of items to be listed (Exhibit No. 1-2 instructions for import declaration 4. Steps to create declaration)
 - (Current) the Seller on the invoice as 'foreign accounts'
 - (Improvement) List items separately to describe the actual 'trade parties' and the 'overseas supplier' for imported goods to align with the supply chain globalization.

- Add the item that the container number to be listed for management of inspection costs support (Exhibit No. 1-2 instructions for import declaration 4. How to create import declaration)
 - (Current) The container number is not listed when declaring the import
 - (Improvement) The container number must be listed when declaring the import for effective inspection cost support management.

- New establishment of special regulations on received goods that are declared prior to the arrival at the port (Article 3 Section 7)
 - (Current) The special regulation does not apply when the ship with loaded goods arrived at the port after 5days from the import declaration made prior to the arrival.
 - (Improvement) When the ship arrived at the port after 5days from the import declaration with unavoidable reasons and the fact that the ship arrived in the territorial sea is proved by documents, the import declaration prior to the arrival at the port is valid. (reflecting the interpretation of authority in the Ministry of Information)

- New customs procedures are established on specific goods in the container (Article 103 3)
 - (Current) The import declaration is not applied for the first import of the container that the ownership is changed.
 - (Improvement) The import declaration needs to be made for the container imported for the transfer of ownership. (including containers for aircraft)
(Reflection of public official's proposal)

Effective date

Effective December 11, 2020



Customs Case

Item Classification Judgement cases of Other Steel Products and Excavator-specific Parts

Other steel products and excavator parts

Tariff Table No. 7326 classifies other steel products, and No. 8231 classifies exclusive parts for excavators. Parts for the machine are sometimes classified with the machine according to the item classification, or they are classified in a specific heading. In some cases, even if it is a part of the machine, it is not considered as an exclusive part due to the item classification. As such, in practice, the item classification for machine parts is very complex and requires a lot of attention. In the following, examples of recent judgments on parts of machinery are introduced.



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Background and issues

The item at issue is a bar-shaped steel shaft that supports the idle roller of the lower drive part of a caterpillar excavator. It has two grooves for inserting O-rings and processing the edges of both ends by 15 degrees. There are two holes to fix the pin on the bracket, and the entire surface is polished, induction heat treated, and tempering processed.

The issue is whether to classify the items at issue as No. 7326 (basic tariff rate 8%) or No. 8321 (WTO tariff 0%).

Decision point

Disposition by the Disposition Administration that classified the item at issue as other steel products under No. 7326 is appropriate.

Items at issue are items that can be used for various caterpillar vehicles and equipment, and are difficult to be considered as exclusive parts of an excavator, so they must be classified according to their material. Considering such issues, the disposition that the Disposition Administration rejected the request for correction, considering the item at issue as No. 7326 (basic tariff rate 8%), is appropriate.

Implication

Item classification is the most basic task of customs administration in which tariff rates, simplified refunds, and country of origin are determined. In recent years, it has occupied a very important position in the country of origin determination due to the generalization of the FTA agreement. The item classification of parts of machinery is one of the issues. Therefore, item classification for machine parts should be conducted based on professional knowledge and clear understanding of items. and for accurate item classification, it is recommended to use the item classification pre-examination or consult with an expert.

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