



Insight

Five Reforms to Remove Trade Barriers

JACQUELINE VARAS | FEBRUARY 9, 2016

The [Trade Facilitation and Trade Enforcement Act of 2015](#), better known as the customs bill, was passed by the House of Representatives last December and is awaiting a vote in the Senate. This bill, which Speaker Ryan [dubbed](#) “the most comprehensive rewrite of our customs laws in a generation,” aims to reduce barriers to trade by streamlining and updating the customs process.

The customs bill makes five important reforms to improve the way that goods pass across our borders, benefitting both businesses and consumers:

U.S. Customs and Border Protection’s automated tracking systems would be modernized

The customs bill would modernize the process of importing and exporting goods. U.S. Customs and Border Protection (CPB) has two systems to track trade-related information: The Automated Commercial System (ACS) and the Automated Commercial Environment (ACE). Currently, importers can choose between either system to help them manage the collection of import duties and other fees. However, ACE, introduced in 2001, is considered by many to be a [superior alternative](#) to the outdated hardware and software of ACS (created in 1984). The customs bill funds ACE through 2018 and requires CPB to report to Congress on the status of its implementation. Additionally, CBP intends to utilize ACE as a “single window” through which all import and export requirements could be met. This would reduce the costs imposed on American business and simplify importing procedures.

Low-value shipments would be subject to more duty-free exemptions and less regulation

Under the customs bill, shipments valued under \$800 would be exempt from customs duties, or taxes on imports. Under current law, only shipments less than \$200 in value qualify for these duty-free exemptions. This would be especially beneficial as tariffs in the U.S. can reach up to [350 percent](#). These tariffs often must be absorbed by American businesses but are also passed on to consumers in the form of price increases. In addition to eliminating taxes, the customs bill also [reduces paperwork burdens](#) on importers of shipments priced less than \$800 and of U.S. goods that have been returned from overseas.

The tax ban on Internet access would be made permanent

[Included](#) in the customs bill is the Permanent Internet Tax Freedom Act (PITFA), a bill to permanently extend the ban on Internet access taxes and discriminatory taxes on electronic commerce. Previous [AAF research](#) has shown that letting the tax ban on Internet access expire could cost U.S. consumers \$16.4 billion per year. As the

Internet Tax Freedom Act was recently only given a [one-year extension](#), PITFA would ensure that U.S. consumers are never subjected to taxes for accessing the internet.

Congress would reaffirm its commitment to miscellaneous tariff bills

The customs bill [includes](#) a sense of Congress to reestablish Miscellaneous tariff bills (MTBs). [These bills](#) temporarily suspend or reduce tariffs on U.S. imports that are not produced domestically. The last MTB, which expired in December 2012, [supported](#) an estimated 90,000 American manufacturing jobs and boosted U.S. GDP by \$3.5 billion. According to the National Association of Manufacturers, its expiration [produced](#) \$1.857 million in economic losses over three years and generated an additional \$748 in taxes for manufacturers.

Intellectual property protections and the enforcement of trade laws would be strengthened

A main priority of the customs bill is to [empower CPB](#) with the tools to strengthen and enforce intellectual property rights (IPR). It mandates that CPB work with IPR holders to identify any violations of copyright or trademark law. It also establishes the National Intellectual Property Rights Coordination Center, solely tasked with securing and enforcing intellectual property right laws. Furthermore, the bill creates additional intellectual property monitoring tools and establishes a Chief Innovation and Intellectual Property negotiator. These provisions would protect American innovators and give them the confidence to freely trade with our international partners.

Conclusion

Streamlining the customs process is an important step to promote and facilitate trade. Trade is a significant driver of our economy, with exports supporting an estimated [11.7 million](#) jobs. Updating the customs process may prove beneficial for U.S. trade.