NEW ZEALAND
CUSTOMS SERVICE
TE MANA ĀRAI O AOTEAROA

CUSTOMS' LONG-TERM INSIGHTS BRIEFING TOPIC
CONSULTATION DOCUMENT

January 2025

EXECUTIVE SUMMARY

❯ Customs is consulting on the proposed topic and scope for its Long-term Insights Briefing (LTIB).

❯ Customs' LTIB will explore **the use of New Zealand Tariff goods classification to identify goods of interest at the border**.

❯ Customs has selected this topic because Tariff goods classification has been increasingly used as a mechanism for alternative public policy objectives beyond goods classification, for example, the identification of regulated goods.

❯ The LTIB topic provides an opportunity for Customs to examine the role of the Tariff in goods classification, the increasing complexity of facilitating international trade through the Tariff and how developments in artificial intelligence as well as the increasing digitisation of trade will affect the use of the Tariff in the future.

❯ We are interested in your views on whether this would be a useful topic for Customs to develop as its LTIB. We are also interested in your views on the proposed scope of the LTIB.

❯ Consultation on the proposed topic and scope will run from 15 January 2025 to 31 January 2025.

❯ You can provide your submission:

    ❯ By email to: LTIB@customs.govt.nz

    ❯ By post: Consultation: Long-term Insights Briefing topic
                    New Zealand Customs Service
                    PO Box 2218
                    Wellington 6140

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INTRODUCTION

Our role

The New Zealand Customs Service's (Customs) role is to protect and promote New Zealand across borders. We provide essential services that protect New Zealand's border, support the efficient movement of people and goods as they cross our border, promote New Zealand's interests in international forums, and provide policy advice on border-related issues.

We also help to protect and nurture New Zealand's economy. We collect duties, excise taxes and the goods and services tax (GST) due on imports and excise returns, as well as collect fees, levies, and other charges on entries and on behalf of others, for example Heavy Engineering Research (HERA) levies. We also protect New Zealand businesses against illegal trade and copyright infringements, and we enforce import and export restrictions.

Purpose of this paper

Customs is consulting the public on the proposed topic for its next Long-term Insights Briefing (LTIB). We are seeking feedback on the topic and any key issues we should focus on. This paper defines an LTIB, outlines our proposed topic and scope, and explains how you can provide feedback.

What is a Long-term Insights Briefing?

Under the Public Service Act 2020, agencies are required to develop an LTIB at least once every three years. The purpose of an LTIB is to publish:

> information about medium and long-term trends, risks and opportunities that affect or may affect New Zealand and New Zealand society; and

> information and impartial analysis, including policy options for responding to these trends, risks and opportunities.

LTIBs are departmental documents intended to promote public debate and decision making on future issues that are not being sufficiently addressed by current policy work programmes.

Agencies are required to publicly consult both on the topic and on the draft LTIB (Customs plans to do this in late 2025). The final LTIB will be tabled in the House of Representatives by the Minister for Customs, likely in June or July 2026.

What topic is Customs proposing?

Customs' LTIB will explore *the use of New Zealand Tariff goods classification to identify goods of interest at the border*.

In particular, we are interested in the impact of public policy settings and Customs intervention that is, arguably, over and above the purpose of tariff goods classification and Customs' legislative principles. The proposed topic is an opportunity for analysis and public discussion on trends, risks and the long-term impacts for goods classification, for Customs and New Zealand.

Why is this topic important?

Facilitating goods across the border is one of the primary purposes of Customs, as set out in the Customs and Excise Act 2018. When broken down simply, the role of Customs is to know what comes across the border, make a risk assessment, and intervene if required. An intervention could be the collection of permit details or inspection to prevent prohibited goods crossing the

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border. Statistical information collected by the tariff is primarily to provide a summary of New Zealand's external trade, including due revenue from imported goods. The Government in turn uses the information to determine New Zealand's economic position.

New Zealand's tariff classification system is based on the international Harmonized System. The use of consistent classification through the Harmonized System globally helps the flow of international trade but creates its own complexity. New Zealand Customs is not the only customs organisation interested in the changing role of the Tariff and the environment it operates in. The World Customs Organization recently published a report exploring the possibility of a strategic review of the Harmonized System intended to provide insight into whether there are enhancements that could improve the functioning of Harmonized System or its usability and sustainability.[1] Exploring the use of the Tariff through this LTIB provides an opportunity for Customs to contribute to ongoing discussions about the evolution and purpose of the international system.

PROPOSED SCOPE OF THE LTIB

The Tariff is a helpful mechanism for facilitating legitimate trade but the border may not be the most appropriate place for intervention in all cases

Customs is a key player in the border system and is responsible for administering over 60 pieces of legislation at the border. The tariff is used to support these regulations for the identification of goods that require a permit, certificate or other approval for importing or exporting, as well as being used to identify goods that may be prohibited or covered by sanctions. It is used in support of a wide range of Government policies related to public safety, product safety and standards, environmental goods, transport, health and other sectors. Examples include firearms permits and prohibitions, safety standards for products such as hot water bottles, chemical goods imports, pharmaceuticals, permits for exporting of plastic waste and export of strategic goods.

Our goods classification system works well for those who are compliant, and we have an offshore disruption work programme for items of risk that aren't declared properly or are not intended to be declared at all. However, as a border agency Customs does not have the capability to track or hold information about the end-use of goods or assess them for compliance with wider consumer trends such as environmental sustainability. Goods that may have crossed the border legitimately can ultimately be used for illegitimate purposes that are contrary to the public interest, and Customs has no ability to intervene in these circumstances (for example, NOS canisters can both be used for making whipped cream or be abused by users to get a high).

The increasing push to use the Tariff for the identification of goods (in many cases regulated goods) is taking the Tariff beyond its current purpose as a classification and statistical tool for international trade purposes and in doing so, is exposing the shortfalls of using a classification system to plug regulatory gaps or achieve wider policy outcomes.

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[1] Exploratory study on a possible strategic review of the HS: World Customs Organization

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The proposed scope of the LTIB will examine the role of the Tariff as a mechanism for identifying goods of interest at the border and whether this is always appropriate. In looking at the role of the Tariff, there are also opportunities for Customs to explore how it can utilise the increasing digitisation of trade documents, the use of AI at the border and the emergence of new goods identification tools to support international trade and goods facilitation in a rapidly changing and increasingly complex environment.

We are likely to see goods classification done by AI in the future, and at least supported by AI in the near term

Like many government agencies, Customs will need to turn its mind to the issue of AI and how this may impact its operations. AI technology as it currently exists in the Customs context is in its infancy and is only as good as the information that is available to it. Recent tests of AI-completed classifications have resulted, in most cases, in an incorrect classification, and AI is likely to remain as a support function for the classification process in the near term. However, as the technology matures and its use becomes more mainstream, it is essential that Customs examines its system capability and scrutinises its data integrity to ensure that it is able to respond to emerging developments. We are proposing that the LTIB looks at ways in which Customs can explore emerging AI technology and its use in the classification process.

Beyond the classification of goods, there may also be opportunities to utilise AI for risk detection purposes, for example the use of AI modelling to enable Customs to find anomalies in the use of tariff codes and in trade data as an indicator for traders who are not compliant.

The increasing digitisation of trade will allow Customs to take advantage of alternative or complementary systems for classifying goods

As consumers become more conscious of where their goods originate and issues such as Green Customs come to the fore, we are likely to see an increasing desire from both industry and the public to have the traceability of goods overlaid with the current system. New complementary systems for classifying goods alongside the existing Harmonized System are being developed to close the gap between consumer demands for transparency and the current lack of reliable product data as products move through supply chains around the globe.

The LTIB is an opportunity for Customs to explore how it can harness the increased digitisation of trade documentation and examine whether there is merit in using alternative or complementary classification systems such as industry classifications or product codes, for border purposes including identifying, capturing and sharing product and location information.

What is not in scope of the LTIB?

Customs' role is to implement the day-to-day operation of the Tariff. There are a number of other agencies including the Ministry of Business, Innovation and Employment, the Ministry of Foreign Affairs and Trade and Statistics New Zealand that also have an interest in the administration of the Tariff. Because of this and our role in providing border management services on behalf of government, it is difficult to formulate LTIB topics that do not impact the policy interests of another agency.

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We are therefore not proposing to look at the merits of the Tariff system itself (i.e. whether the tariff be replaced in its entirety and with what) or the role that the Tariff plays in foreign policy or New Zealand exports. The scope of the proposed topic is intended to focus on the emerging trends around how Customs identifies and facilitates goods that are entering New Zealand. While we are proposing to explore the Tariff's role and ability to facilitate legitimate trade, we will not be looking at the Tariff specifically from a national security or Transnational Serious Organised Crime lens.

WE ARE INTERESTED IN YOUR FEEDBACK ON THE PROPOSED TOPIC AND SCOPE OF THE LTIB

- Consultation question 1: is this a useful topic for Customs to develop as its LTIB?

- Consultation question 2: is the border the most appropriate intervention point for goods that may have an end-use that is contrary to the public interest?

- Consultation question 3: should Customs be exploring the use of AI technology at the border beyond taking steps to ensure its data integrity?

- Consultation question 4: how do you see the increased digitisation of trade and the use of alternative classification systems affecting you or your industry?

- Consultation question 5: is there anything else related to the LTIB you would like to provide feedback on?

How you can provide feedback

As part of the LTIB process, Customs will be seeking feedback at two stages: on the proposed topic (this current consultation), and on the draft briefing in 2026.

We welcome your comments on the proposed LTIB topic, and on our approach. The specific consultation questions set out above can be used to frame your submission.

When making your submission, please include:

- the title of this consultation

- your name and title

- your organisation's name (if you are making a submission on behalf of an organisation)

- your email address (or postal address) so that Customs can acknowledge your submission and later inform you of the outcome of the consultation process, and

- the questions you are responding to, and your responses.

The deadline for making a submission is 5pm, 31 January 2025. You can provide your submission:

By email to: LTIB@customs.govt.nz

By post: Consultation: Long-term Insights Briefing topic
                New Zealand Customs Service

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PO Box 2218
Wellington 6140

Under the Official Information Act 1982 (OIA), any person can ask Customs for information it holds. This means we must release the information requested, unless there is a good reason to withhold it.

You may wish to suggest reasons for withholding specific information in your submission, such as if information is commercially sensitive or if personal information should be withheld. We will consider these requests in accordance with the provisions of the OIA and will contact you if needed. Customs' decisions, including withholding of information, are reviewable by the Ombudsman.

Further guidance about the OIA can be found at: https://www.ombudsman.parliament.nz/.

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