



HARMONIZED SYSTEM
REVIEW SUB-COMMITTEE

NR0069E1

-
20th Session
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O. Eng.

Brussels, 28 June 1999 .

SCOPE OF THE THIRD HARMONIZED SYSTEM REVIEW CYCLE

(Item 2 on Agenda)

1. Now that the Council has recommended the amendments to the Harmonized System resulting from the second major HS review to the Contracting Parties, the question becomes where do we go from here.
2. For the 20th Session of the Review Sub-Committee that question is easy to answer. The 20th Session and perhaps even the 21st Session will need to be devoted to finalising conforming amendments to the Explanatory Notes resulting from the Article 16 Recommendation. The Secretariat would urge the Sub-Committee and the Harmonized System Committee to complete this work as soon as possible since this information will be crucial to administrations in amending their national tariff and statistical nomenclatures to reflect the Article 16 amendments to the Nomenclature.
3. Amended Explanatory Notes are equally important to the United Nations and the World Trade Organization who will have to make conforming changes to the international statistical nomenclatures tied to the HS and the WTO schedules of tariff concessions.
4. Subject to unforeseen developments, we should be able to begin the Third Review Cycle at the February 2000 meeting of the RSC.
5. The first issue to consider in this connection should be the length of the review. The First Review Cycle took four years, while the Second lasted six years. The Secretariat would propose five years for the Third Cycle. As administrations are by now aware, we expect the United Nations family of statistical classifications that are tied to the Harmonized System to adopt a schedule of amendments that is based on the HS schedule. In this connection we have been informed that the UN would prefer a regular five-year cycle. The Secretariat could agree.
6. As concerns the subject matter of the review, the following issues were left over from the last cycle and could provide a starting point for the Sub-Committee's work at the 21st Session :
 - Possible creation of a new heading for biodegradable plastics and articles thereof;
 - Possible separate identification of flat panel displays;

- Possible separate identification of equipment for the manufacture of semiconductor devices and flat panel displays;
- Possible new subheading for gas condensates;
- Possible amendments to the Nomenclature to clarify the classification of certain vitamin-based preparations;
- Possible amendment of the text of heading 85.42;
- Possible separate identification of artisanal products;
- Proposal by Canada to amend Chapter 54;
- Possible amendments to the Nomenclature to clarify the classification of co-ordination compounds.

7. As usual, the Secretariat would propose to undertake a review of the Harmonized System on the basis of trade statistics with a view to simplifying the HS by deleting low trade volume headings and subheadings.
8. A further subject for the review could be an examination of the subdivisions created for purposes of the development of harmonized rules of origin, with a view to incorporating these subdivisions in the Harmonized System and/or aligning the HS and the draft rules of origin.
9. Finally, the Sub-Committee will need to decide whether it wishes to carry out another general review of the System or whether it wishes to concentrate its review on a certain sector of the HS, such as the high technology sector, for example. There appears to be ample evidence in the number of issues before the Harmonized System Committee related to this sector that an updating of the high technology provisions would prove to be a fruitful exercise. The Secretariat could support emphasizing the high technology sector in the Third Review Cycle.
10. In any case, the Secretariat is of the view that the same basic ground rules concerning the establishment of new subheadings and headings, i.e., \$20 million and \$100 million, respectively, should continue to apply, with the normal exceptions for developing countries, environmental considerations, etc.
11. The Review Sub-Committee is requested to provide its views with regard to the following matters :
 - Whether it can agree to a five year review period, as proposed by the Secretariat;
 - Whether the left-over items from the last review cycle should form the starting point for the Third Review Cycle;
 - Whether to include simplification of the HS (by deleting low trade volume subheadings and headings) on the agenda for the next review;

- Whether there should be a review of the draft harmonized rules of origin with a view to aligning the HS and the origin rules;
- Whether the Third Review Cycle should be another general review or should concentrate on a specific sector of the HS, such as the high technology sector;
- Whether the established ground rules concerning the establishment and deletion of subheadings and headings should continue to apply.

12. Based on the responses of the Sub-Committee to the above questions, the Secretariat will structure its work for the Third Cycle and will invite administrations and international organisations to submit their proposals in this connection.
