



HARMONIZED SYSTEM
REVIEW SUB-COMMITTEE

-
25th Session
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NR0220E1
(+ Annex)

O. Eng.

Brussels, 17 January 2002.

PROPOSAL BY THE US ADMINISTRATION TO AMEND
CERTAIN SUBHEADINGS OF HEADING 87.08

(Item III.A.10 on Agenda)

Reference documents :

NR0159E1 (RSC/23)
NR0165E2, Annex D/8 (RSC/23 – Report)
NR0181E1 (RSC/24)
NR0205E2, Annexes C/13 and F/8 (RSC/24 – Report)

I. BACKGROUND

1. At its 24th Session, the Sub-Committee examined the proposal by the US Administration to amend certain subheadings of heading 87.08.
2. Referring to the proposed new subheading “8708.40 – Gear boxes and parts thereof”, one delegate expressed his concern, from the statistical point of view, that gear boxes for the motor vehicles of headings 87.01 to 87.05 were presently classified in subheading 8708.40, while parts of gear boxes therefor fell in subheading 8708.99 by application of Note 1 (I) to Section XVI and Note 2 (e) to Section XVII. He believed that grouping gear boxes and parts thereof in subheading 8708.40 would result in a substantial transfer of trade from subheading 8708.99 to subheading 8708.40. Although the Sub-Committee considered, as a solution to this potential problem, the identification of “gear boxes” and “parts thereof” in two separate 6-digit subheadings (i.e., “8708.41” and “8708.49”, respectively), it was noted that the same concern was valid for almost all of the proposed new subheadings as well. Further, it was not clear how much trade volume would be transferred from the present subheading 8708.99 to new subheading 8708.40. In order to give administrations and the Secretariat an opportunity to consider this issue during the intersession, the Sub-Committee agreed to place the expression “and parts thereof” in square brackets in the text of proposed new subheading 8708.40 and to re-consider it at its next session.

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3. As to the text of subheading 8708.50, the Delegate of the **United States** withdrew the original text proposed by his administration since he agreed with the Secretariat's alternative text in principle, but pointed out that, during the intersession, his administration could check whether this text was acceptable. Another delegate found the text drafted by the Secretariat quite acceptable since he felt that the text proposed by the **United States** might change the scope of the two present subheadings after re-grouping. After certain modifications, the Sub-Committee agreed to keep the Secretariat's alternative in square brackets for re-examination at this session.
4. For the text of new subheading 8708.95, one delegate proposed to replace, in the French text, the term "de sécurité" by the expression "avec système de gonflage" and accordingly to delete, in the English text, the term "safety" and insert the expression "with inflater system" after the term "airbags". Several administrations indicated that they needed to examine the possible consequences of these proposed modifications. The Sub-Committee therefore agreed to place these expressions in square brackets and to reconsider them at its next session.
5. On 10 October 2001, the Secretariat invited the interested administrations to submit information and comments on the above matters.

II. NOTE FROM CANADA

6. On 18 October 2001, the Secretariat received the following comments from the **Canadian** Administration :
 - 6.1. "...With respect to trade data of subheading 8708.99, the **Canadian** Administration does not have a specific statistical category that refers to parts of gear boxes. Rather, importations of such articles are grouped with a variety of other automotive parts and accessories. Therefore, it would not be feasible to provide specific trade data on parts of gear boxes.
 - 6.2. In the case of subheadings 8708.50 and 8708.60, the **Canadian** Administration is of the opinion that these two subheadings can be combined as suggested in the **US** Administration's proposal. However, the **Canadian** Administration concurs with the Secretariat's concerns on the new text proposed by the **US** Administration to subheading 8708.50 and favours the Secretariat's alternative text. It is felt that the Secretariat's text provides a clearer and more complete description of the articles, and maintains both the scope and intent of the present subheadings. Further, the **Canadian** Administration is of the opinion that the expression "parts thereof" at the end of the Secretariat's alternative text does not cover the expression "whether or not provided with other transmission components".
 - 6.3. The **Canadian** Administration supports the proposed modifications for the new text to subheading 8708.95 that would delete the reference to "safety" and insert the reference "with inflater system". It should be noted that these modifications would be consistent with the current national level categories that are found in the **Canadian** Customs Tariff..."

III. SECRETARIAT COMMENTS

Subheading 8708.40

7. The **Canadian** Administration is not in a position to provide specific data on the trade volume of parts of gear boxes as it does not have a specific statistical category on the parts of gear boxes. In this respect, the Secretariat also searched the Customs tariffs and statistical nomenclatures available in its library, with an unfruitful result. Any administration

having a separate national statistical subdivision for the articles in question is requested to share the information on the trade volume thereof with the Secretariat and the Sub-Committee.

8. From the practical point of view, however, it should be noted that the main reason behind the US proposal was to simplify the administration of the subheadings of heading 87.08 by combining certain automotive parts and accessories with their own parts in the same 6-digit subheadings. For subheading 8708.40, the distinction between “gear boxes” and “parts” was not clear for purposes of classification.
9. Also, as it was already noted at the 24th Session, the concern expressed about the transfer of trade from subheading 8708.99 is valid for almost all of the proposed new subheadings.
10. The Sub-Committee is invited to express its views.

Subheading 8708.50

11. The Canadian Administration agrees with the text proposed by the Secretariat, but believes that the expression “parts thereof” at the end does not cover the expression “whether or not provided with other transmission components”.
12. Although the Secretariat is of the view that the expression “parts thereof” in the second part of the text should cover the parts of articles referred in the first part of the text, if the Sub-Committee so wishes, the expression “parts thereof” could be replaced with the expression “parts of the foregoing” (which is an expression presently used in the text of many other headings, e.g., headings 86.08, 87.09, 88.05).
13. The Sub-Committee is invited to express its views.

Subheading 8708.95

14. Canada supports the proposal for deletion of the reference to “safety” and insertion of the expression “with inflater system”. Other administrations which indicated that they needed to examine the possible consequences of these proposed modifications are invited to express their views.
15. In this connection, the Sub-Committee is requested to keep in mind that the expression “safety airbag” is an expression currently used by the industry. Thus another alternative could be to keep the term “safety” in the text which would then read “Safety airbags with inflater system and parts thereof”.

IV. CONCLUSION

16. Taking the comments by Canada and the Secretariat into account, the Sub-Committee is invited to examine the proposals from the US Administration set out in the Annex to this document (as modified at the 24th Session).

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