



HARMONIZED SYSTEM
REVIEW SUB-COMMITTEE

-
26th Session
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NR0280E1
(+ Annexes I and II)

O. Fr.

Brussels, 17 July 2002.

POSSIBLE AMENDMENTS TO THE STRUCTURE TO HEADINGS 73.04 AND 73.06

(PROPOSAL BY THE EUROPEAN COMMUNITY)

(Item III. A.10 on Agenda)

Reference documents:

NR0255E1 (RSC/25)
NR0265E3, Annex D/13 (RSC/25 -Report)

I. BACKGROUND

1. At its 25th Session, the Review Sub-Committee undertook a preliminary examination of the EC proposal to amend the structured nomenclature to headings 73.04 and 73.06. This proposal – the purpose of which was to classify in heading 73.04 seamless line pipe and seamless casing, tubing and drill pipe of stainless steel – involved deleting the reference to “iron”, as this material is no longer used in the industry.
2. During the session, many administrations expressed their support for the proposal, but requested that given the importance of these goods in world trade, the matter be deferred to give them time to make further enquiries with their industries during the intersession.
3. During the intersession, the Secretariat received comments from the Administrations of ~~Canada, Morocco and Tunisia~~, which are reproduced in Annex II hereto.

II. SECRETARIAT COMMENTS

4. The Secretariat wishes first to point out that it has not been able to isolate any statistical data on trade in the goods of the proposed new subheadings. In fact, from a statistical perspective these goods have always been subsumed within other subheadings, particularly residual subheadings.

Note: Shaded parts will be removed when documents are placed on the WCO documentation database available to the public.

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5. Moreover, the administrations which have submitted comments support the EC proposal in substance. However, Canada apparently does not understand the rationale behind the EC proposal for new one-dash subheadings under heading 73.06, i.e., “Other, welded, of square or rectangular cross-section” (subheading 7306.70) and “Other, welded, of other non-circular cross-section” (subheading 7306.80).
6. In its comments, Canada raises the question of whether subheading 7306.60 – which already covers welded iron or steel piping and tubing of non-circular cross-section – would have to be deleted following the introduction of the proposed new subheadings. If so, welded piping and tubing of square or rectangular cross-section would fall in new subheading 7306.70, and new subheading 7306.80 would become the residual subheading for other welded products of non-circular cross-section. The Sub-Committee should take note of this concern when discussing the EC proposal.
7. However, the Secretariat is of the opinion that the new proposed subheadings 7306.70 and 7306.80 read together, have the same scope as the current subheading 7306.60.
8. In order to facilitate the examination of this question, the Secretariat has reproduced in Annex I hereto the EC proposal as set out in Doc. NR0255E1, and, taking account of the support within the Sub-Committee for the deletion of the reference to “iron”, it has withdrawn its proposal made at the last Review Sub-Committee session.

III. CONCLUSION

9. The Sub-Committee is invited to examine the proposals put forward by the EC in Annex I hereto, taking account of the Secretariat’s comments in paragraphs 4 to 8 above and the comments submitted by the Administrations of Canada, Mexico and Costa, reproduced at Annex II hereto.

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NOTE FROM THE EC

“In the product groups of seamless line pipe and seamless casting, tubing and drill pipe, those of stainless steel should be separated and combined with the other tubes of stainless steel, corresponding to the given market structure.

Proposal : (the proposed modifications are underlined)

73.04 Tubes, pipes and hollow profiles, seamless, of iron (other than cast iron) or steel.

- 7304.10 - Line pipe of a kind used for oil or gas pipelines, of steel other than stainless steel
- Casing, tubing and drill pipe, of a kind used in drilling for oil or gas, of steel other than stainless steel :
- 7304.21 -- Drill pipe
- 7304.29 -- Other
 - Other, of circular cross-section, of iron or non-alloy steel :
- 7304.31 -- Cold-drawn or cold-rolled (cold-reduced)
- 7304.39 -- Other
 - Other, of circular cross-section, of stainless steel :
- 7304.41 -- Cold-drawn or cold-rolled (cold-reduced)
- 7304.42 -- Line pipe of a kind used for oil or gas pipelines
- 7304.43 -- Casing, tubing and drill pipe, of a kind used in drilling for oil or gas
- 7304.49 -- Other
 - Other, of circular cross-section, of other alloy steel :
- 7304.51 -- Cold-drawn or cold-rolled (cold-reduced)
- 7304.59 -- Other
- 7304.90 - Other

73.06 Other tubes, pipes and hollow profiles (for example, open seam or welded, riveted or similarly closed), of iron or steel.

- 7306.10 - Welded line pipe of a kind used for oil or gas pipelines, of steel other than stainless steel
- 7306.20 - Welded casing and tubing of a kind used in drilling for oil or gas, of steel other than stainless steel
- 7306.30 - Other, welded, of circular cross-section, of iron or non-alloy steel
- 7306.40 - Other, welded, of circular cross-section, of stainless steel
- 7306.50 - Other, welded, of circular cross-section, of other alloy steel
- 7306.70 - Other, welded, of square or rectangular cross-section
- 7306.80 - Other, welded, of other non-circular cross-section
- 7306.90 - Other".

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NOTE FROM THE CANADIAN ADMINISTRATION

"This is in response to your facsimile transmission of May 17, 2002, concerning the European Commission's proposal to amend the structure of headings 73.04 and 73.06.

Prior to the 25th Session of the RSC, the Canadian Administration asked local steel industry sources for input on the EC's proposals. Their response indicated that, in principle, the Canadian steel industry has no objection to the proposed grouping of stainless steel products under one subheading level in headings 73.04 and 73.06. In this regard, the same industry sources expressed support for revisions made by the Secretariat to the EC's proposed amendments to ensure that iron piping and tubing remain classified within existing subheadings.

I should also explain that the Canadian Administration concurs with the viewpoint put forward by the US Administration regarding the need for further discussion of these proposals. We agree that they are a good starting point and would like to see the following points addressed :

1. Headings 73.04 and 73.06 are currently structured so that iron or steel piping and tubing of the kind used in the oil or gas industries are segregated from other piping or tubing falling in the same headings, as follows :
 - Line pipe of a kind used for oil or gas pipelines – 7304.10 and 7306.10
 - Casing, tubing and drill pipe of a kind used in drilling for oil or gas – 7304.(20) and 7306.20

In view of the specialized nature of these products, e.g. conformation to national petroleum institute standards, Canada believes they are properly grouped to reflect market structures. On this basis, the EC's objective would appear to be met if stainless steel products of the same kind are placed in two-dash subheadings within the one-dash subheadings that currently exist in headings 73.04 and 73.06.

2. We do not understand the rationale behind the proposed new one-dash subheadings in heading 73.06, i.e., "other, welded, of square or rectangular cross-section" (subheading 7306.70) and "other, welded, of non-circular cross-section" (subheading 7306.80). We also note that subheading 7306.60 already covers welded iron or steel piping and tubing of non-circular cross-section. Should it be deleted from the Nomenclature on the basis of the proposed new subheading numbers ? Welded piping and tubing of square or rectangular cross-section would then fall in new subheading 7306.70 while new 7306.80 would become the residual provision for other welded products of other non-circular cross-section."

NOTE FROM THE MOROCCAN ADMINISTRATION

"In your above-mentioned fax you invited this Administration to comment, if it so wished, on the European Community's proposal to separate out - within the groups of seamless tubes and pipes, and seamless casing, tubing and drill pipe of a kind used in drilling for oil or gas – those products which are made from stainless steel, and classify them with other stainless steel tubes and pipes. It was indicated that this was to be done in order to reflect current market realities.

In reply, I have the honour to inform you that the Moroccan Administration has no objection to the restructuring of headings 73.04 and 73.06 along the lines proposed.

NOTE FROM THE TUNISIAN ADMINISTRATION

"In the above-mentioned letter, you informed me that the Secretariat of the World Customs Organization intends to prepare a new working document for presentation to the next session of the Harmonized System Review Sub-Committee - scheduled to take place in September 2002 - concerning the amendment of the structured nomenclature of HS headings 73.04 and 73.06. In the above-mentioned document NR0255E1, of 8 February 2002, it is stated that the purpose of the proposed amendments is to give separate status to stainless steel piping and tubing used for oil and gas pipelines. You asked for my Administration's comments on this subject.

If adopted, this proposal - which is perfectly reasonable – will make it possible to identify, for trade statistics purposes, a range of products hitherto ignored by the Harmonized System, namely stainless steel pipes used in the oil and gas industries. However, as proposed by the Secretariat, in order to avoid overloading the residual subheadings within headings 73.04 and 73.06, the Tunisian Administration favours the creation of new subheadings to identify these products in HS Chapter 73."
