



WORLD CUSTOMS ORGANIZATION
ORGANISATION MONDIALE DES DOUANES

Established in 1952 as the Customs Co-operation Council
Créée en 1952 sous le nom de Conseil de coopération douanière

HARMONIZED SYSTEM
REVIEW SUB-COMMITTEE

-
21st Session
-

NR0091E1
(+ Annexes I to III)
O. Eng.

Brussels, December 1999.

PROPOSAL TO INCREASE THE THRESHOLD FOR THE CREATION OR DELETION
OF SUBHEADINGS FROM US\$20 MILLION TO US\$50 MILLION

(Item III.A on Agenda)

Reference documents :

NR0072E2 Annex B (RSC/20 – Report)
NC0160E1 Annex E (HSC/24 – Report)

I. BACKGROUND

1. At the 20th Session of the Review Sub-Committee (September 1999), in the context of simplifying the HS structure during the next HS Review cycle, the EC Delegate suggested that the threshold value for the creation or deletion of subheadings be increased from US\$ 20 million to US\$ 50 million of world level trade. Since the proposal was made from the floor, other delegations requested time to consider the proposal during the intersession. The Sub-Committee agreed to readdress this issue at its next session.
2. The Harmonized System Committee at its 24th Session took note of the pending discussion in the Review Sub-Committee concerning the EC proposal.

II. SECRETARIAT COMMENTS

3. To facilitate the examination of the EC proposal in the Review Sub-Committee, the Secretariat did an analysis during the intersession on the incidence of the EC proposal with the assistance of the United Nations Statistics Division (UNSD), which provided the HS-based world trade statistics for the years 1996, 1997 and 1998. The results of the analysis are set out in Annex I to this document.
4. The first part of the analysis sets out a comparison between the number of HS codes to be affected at six-digit (subheading) level if the threshold value for their creation or deletion is to be fixed at US\$ 20 million or at US\$ 50 million as proposed by the EC.

File No. 2145B

For reasons of economy, documents are printed in limited number. Delegates are kindly asked to bring their copies to meetings and not to request additional copies.

5. While being mindful of the fact that the EC proposal to increase the threshold value only concerns the creation or deletion of subheadings, the Secretariat would note that the HSC had decided at its 21st Session, as an exception to the US\$ 100 million threshold for the deletion or creation of four-digit headings, to retain where necessary four-digit headings if the volume of trade was less than US\$ 100 million but more than US\$ 20 million (threshold for subheadings) and if it was proved necessary to create a new subheading to cover the goods of the deleted heading. The Committee further decided that this exception to the US\$ 100 million threshold criterion for four-digit headings related solely to deletion, and did not affect decisions taken regarding such threshold for creation of new headings (see Doc. 42.100 Annex F/1, HSC/21-Report).
6. In view of the above decision, the Secretariat would point out that if this approach is to be followed during the next review cycle, the EC proposal to raise the threshold for subheadings might also have repercussions on the four-digit codes, since the lower limit of US\$ 20 million for the above-mentioned exception will be raised to US\$ 50 million. Under the circumstances, the Secretariat has also included an analysis of the incidence on the 4-digit codes of the EC proposal, which is set out in the second part of Annex I to this document.
7. Based on the Secretariat's analysis, the following can be noted as a result of raising the threshold from US\$ 20 million to US\$ 50 million as suggested by the EC (The data used for the above-mentioned analysis will be available to the delegates during the meeting) :
 - (1) The number of HS codes affected will more than double at both six-digit and four-digit levels. This is basically consistent through the years 1996, 1997 and 1998;
 - (2) In terms of the product range involved, the codes affected at six-digit level will be distributed among almost all Chapters of the HS at the US\$ 20 million threshold and more Chapters will be affected if the threshold is to be fixed at US\$ 50 million. That is to say, all Chapters of the HS will be affected except a few Chapters (e.g., Chapters 94, 95, 97);
 - (3) While the six-digit codes affected at the US\$ 50 million threshold will increase in HS Chapters 28, 29, 51, 52, 55, 61 and 63, that are also the Chapters mostly affected at the US\$ 20 million threshold, there will be a sharp rise of the number of six-digit codes affected at the US\$ 50 million threshold in Chapters 3, 7, 62, 82, 84, 85, that are otherwise only slightly affected at the US\$ 20 million threshold.
8. For the reference of the Sub-Committee, the Secretariat has listed in Annexes II and III respectively, headings and six-digit subheadings which will be affected by raising the threshold from US\$ 20 million to US\$ 50 million in the case of 1998.

9. Generally speaking, the EC proposal might reduce substantially the number of subheadings and headings and thus it would simplify the structure of the HS. However, the Secretariat would also point out that, as was the case in the past, if requests for retention which are covered by the principles for retention set out by the HSC at its 19th and 21st Sessions, are to be made for many affected six-digit subheadings, this would eventually reduce the number of codes that might be deleted as a result of the EC proposal.

III. CONCLUSION

10. The Review Sub-Committee is invited to examine the EC proposal, taking account of the information presented in the Annex to this Document and the Secretariat comments made above.

* * *

Incidence on the 6-DIGIT codes of threshold values fixed at 20 or 50 million USD

Incidence, au niveau des codes à 6 CHIFFRES, de seuils fixés à 20 ou 50 millions de USD

YEAR / ANNEE	20 M USD	50 M USD	
1996	375	927	← Number of codes involved ← Nombre de codes concernés
1997	328	799	← Number of codes involved ← Nombre de codes concernés
1998	377	931	← Number of codes involved ← Nombre de codes concernés

Incidence on the 4-DIGIT codes of threshold values fixed at 20 or 50 million USD

Incidence, au niveau des codes à 4 CHIFFRES, de seuils fixés à 20 ou 50 millions de USD

YEAR / ANNEE	20 M USD	50 M USD	
1996	30	74	← Number of codes involved ← Nombre de codes concernés
1997	23	70	← Number of codes involved ← Nombre de codes concernés
1998	27	74	← Number of codes involved ← Nombre de codes concernés

* * *

Source : HS-based trade figures (1996 version) received from the UNSD on 20-10-1999.
Source : Données du commerce basées sur le SH (version 1996) fournies par la DSNU le 20-10-1999.

.....

FOUR-DIGIT HEADINGS WHICH WOULD BE AFFECTED BY
RAISING THE THRESHOLD FROM US\$ 20 MILLION TO US\$ 50 MILLION (1998)

0503	2605	4502	5809	7107	8005
0814	2611	5003	5908	7109	8107
0907	2802	5303	6308	7111	9112
1403	2838	5304	6502	7401	9203
1510	2911	5405	6503	7414	9204
1522	4003	5406	6507	7416	9307
2502	4204	5803	6602	7803	9614
2514	4304	5805	7012	8002	

* * *

.....

**SIX-DIGIT SUBHEADINGS WHICH WOULD BE AFFECTED BY
 RAISING THE THRESHOLD FROM US\$ 20 MILLION TO US\$ 50 MILLION (1998)**

010310	121291	282420	294140	481630	551313	611410	710700	846120
020421	130110	282520	300110	481720	551319	611699	710900	846130
020441	130214	282570	300331	490510	551322	620119	711039	846810
020450	140110	282611	300650	490591	551329	620329	711100	846930
020690	140190	282630	310229	500390	551333	620421	711420	847030
020820	140390	282710	310510	500710	551339	620510	711711	847040
030191	140410	282731	320110	510310	551413	620620	720280	847220
030219	150410	282733	320120	510320	551419	620722	720390	847521
030231	150510	282749	320190	510510	551423	620792	720450	847629
030261	150590	282751	320642	510530	551429	620811	722520	847960
030263	151000	283010	320643	510910	551439	620819	722910	850530
030265	151221	283020	330114	510990	551441	620990	730520	850920
030266	151519	283090	330123	511190	551442	621131	731412	850930
030270	151540	283323	330130	520210	551449	621141	731813	851390
030329	151560	283326	340410	520291	551521	621310	731910	851633
030332	151610	283410	350219	520411	551522	621390	731990	851910
030333	152190	283522	350520	520419	551529	621590	732112	852010
030372	152200	283524	360610	520420	551633	630110	740323	854072
030376	160210	283719	370220	520528	551641	630190	740620	854081
030377	160290	283800	370520	520531	551644	630239	740722	854340
030561	170191	283911	380510	520541	551691	630240	740939	860290
030563	170219	284011	380620	520546	551694	630252	741510	860692
030760	190240	284020	382420	520614	560129	630259	741521	880190
040520	200791	284110	382471	520622	560221	630292	741600	880510
040811	210230	284170	382479	520623	560420	630293	741910	900610
050300	230240	284430	391212	520624	560710	630520	750521	900620
050590	230670	290242	392072	520632	560729	630539	750720	900662
070890	230690	290311	392079	520642	560890	630619	750810	900669
070910	250200	290314	392094	520823	570239	630621	760320	900810
070970	250490	290319	400130	520853	570252	630629	761511	900840
071332	250621	290515	400251	520921	570259	630631	761691	900922
071350	250820	290613	400300	520952	570291	630649	780300	900930
071390	250830	290621	401692	521019	570292	630800	780411	902740
071420	250860	290715	401694	521032	570410	640110	800200	903130
080122	251311	290820	410122	521111	580123	640199	800500	910112
080131	251320	290890	410129	521112	580126	640230	810191	910191
080211	251400	290942	410130	521141	580131	640320	810192	910390
080221	251520	291100	410310	521142	580211	640330	810210	910620
080590	251730	291221	410320	521151	580230	650200	810291	910899
081030	252220	291230	410511	521213	580500	650300	810293	910911
081210	252520	291242	410729	521223	580640	650700	810299	910919
081400	252810	291250	420400	521224	580900	660200	810910	910990
090700	260120	291260	420610	521225	590110	680210	811230	911012
090810	260500	291512	430130	530310	590190	680222	811240	911180
090830	261100	291535	430213	530410	590800	680410	811299	920300
090910	262020	291632	430400	530521	600129	680423	820120	920410
090920	262050	291634	440110	530620	600249	680430	820140	920890
090950	270120	291711	440420	530710	610110	681190	821591	920910

Annexe au
III Doc. NR0091B1
Annex to
(SCR/21/fév. 99)
(RSC/21/Feb. 99)

091020	270220	291731	440831	540339	610190	681270	830150	920920
091030	270720	291733	441139	540500	610322	681290	830621	920993
091040	270740	291813	441223	540610	610331	681490	841011	930310
110230	270760	291821	441293	540823	610332	690490	842111	930510
110290	270791	292112	450190	550190	610339	690590	842112	930521
110419	271129	292222	450200	550610	610413	690912	842520	930610
110422	280200	292620	450390	550941	610429	691410	842850	930700
110510	280511	293010	470319	550942	610449	700210	843352	960630
120710	280519	293221	470411	550959	610792	700320	843590	961420
120760	281123	293293	470620	550992	610829	700420	844512	961620
120890	281390	293351	470693	550999	610899	701020	845240	
120924	281420	293610	480230	551120	611110	701200	845380	
121110	281610	293921	480550	551291	611190	701610	845410	
121230	282090	293941	480820	551312	611219	710110	845620	