



HARMONIZED SYSTEM
REVIEW SUB-COMMITTEE

NR0344E1

-
27th Session
-

O. Eng.

Brussels, 3 February 2003.

POSSIBLE AMENDMENTS OF THE STRUCTURED NOMENCLATURE TO
HEADING 39.20 TO PROVIDE FOR BANKNOTE SUBSTRATES OF PLASTICS

(PROPOSAL BY THE AUSTRALIAN ADMINISTRATION)

(Item III.A.5 on Agenda)

Reference documents :

NR0245E1 (RSC/25)
NR0265E3, Annex D/8 (RSC/25 – Report)
NC0531E1, paragraphs 76 to 80
NC0580E1
NC0590E2, Annex IJ/18 (HSC/29 – Report)

NR0277E1 (RSC/26)
NR0332E3, Annex C/7 (RSC/26 – Report)
NC0602E1, paragraphs 21 to 23
NC0655E2, Annex E (HSC/30 – Report)

I. BACKGROUND

1. At its 26th Session, the Review Sub-Committee continued its examination of the **Australian** proposal concerning possible amendments to the structured nomenclature to heading 39.20 to provide for banknote substrates of plastics.
2. The Delegate of **Australia** explained that due to the nature of the product at issue and the associated security considerations, the amount of information available was limited. Referring to the fact that the HS Committee had confirmed its classification in subheading 3920.20, she came back to the original proposal reproduced in the Annex to Doc. NR0245E1 concerning the possible creation of a new subheading 3920.21 to provide for banknote substrates of plastics and suggested a simplified wording to read “Banknote substrates”.
3. One delegate pointed out that the proposed wording raised some concerns since it was based on end-use criteria and stated that it was not clear whether it would also apply to other types of goods, e.g., lottery tickets or tickets for casinos. To avoid the end-use criteria problem, he would prefer a neutral text for the proposed new subheading. Certain delegates shared these concerns.

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

File No. 2907

4. Another delegate felt that it would be difficult to amend the Nomenclature based on the production of one manufacturer only. He indicated that in future, substrates of other types of plastics could be developed, which would be classifiable in other subheadings than subheading 3920.20. However, manufacturers were reluctant to provide proprietary information.
5. A third delegate stated that in his country there was also a company manufacturing this type of product and further developments could be expected in this field in the future. Nevertheless, for the time being, he had no supporting information.
6. The Chairperson concluded that more information on the volume of trade with regard to these types of goods would be necessary. The Delegate of **Australia** informed the Sub-Committee that her administration was prepared to redraft the proposed wording trying to avoid the end-use criteria and to come up with a new text. Finally, the Sub-Committee agreed that it could come back to the issue at its next session on the basis of further information and proposals, if any, from the **Australian** Administration.
7. On 6 January 2003, the Secretariat received the following note from the **Australian** Administration with regard to this question.

II. NOTE FROM THE AUSTRALIAN ADMINISTRATION

8. "The **Australian** Administration has consulted again with the company that makes the product in question on the issues raised by the Review Sub-Committee [the 26th Session].
9. The product is still in a strong development stage, both in technological and business sense. At present the volume of trade is well below the 50 million USD threshold, however, it is envisaged by the company that in the future it will exceed 50 million USD.
10. The company's information about likely future technological developments, while proprietary, added weight to the remarks of the delegate who had raised the issue of new technologies resulting in classification of like products elsewhere in the tariff.
11. There were also other possible developments that, while not available now for business confidentiality reasons, could also significantly change the complexion of any proposal.
12. While **Australia** did not support the classification arrived at by the Harmonized System Committee, both **Australia** and the company concerned are of the view that it provides sufficient guidance in the current product development period.
13. As a consequence, **Australia** suggests that this item be removed from the program of the Third Review, and be reintroduced for discussions at the Fourth Review, at which time necessary information should be available to the Review Sub-Committee to enable it to arrive at a more long term solution to the issue of banknote substrate."

III. CONCLUSION

14. The Sub-Committee is invited to take account of the request from the **Australian** Administration to remove this item from the Third Review Cycle of the Harmonized System and to delete this item from the Agenda.