



HARMONIZED SYSTEM
REVIEW SUB-COMMITTEE

NR0070E1

-
20th Session
-

O. Eng.

Brussels, 29 July 1999.

SCOPE OF THE THIRD HARMONIZED SYSTEM REVIEW CYCLE

(Item 2 on Agenda)

Reference document :

NR0069E1

1. This document sets out further thoughts of the Secretariat on the scope and emphasis of the Third HS Review Cycle.

I. SECRETARIAT COMMENTS

2. In addition to the ideas put forward by the Secretariat in Doc. NR0069E1, the Secretariat would propose that the Third HS Review Cycle should emphasise the need for the simplification of the Harmonized System in the future.
3. When the Harmonized System was first being developed, the emphasis was on trade facilitation. The driving force behind the development of the HS was the idea that one product nomenclature should be used for the classification of all goods moving in international trade so that goods would not need to be reclassified constantly, with all of the costs that such reclassification entails.
4. While the Harmonized System was a major step in the direction of trade facilitation, it certainly has not eliminated the need to recode goods moving in international trade. Because the Harmonized System is a multipurpose nomenclature and because Member administrations have felt the need to subdivide the HS for their own national tariff, statistical and other purposes, the original vision of the Harmonized System as one language for international trade has not been fully realised.
5. While it may not yet be possible for administrations to agree on the use of the international 6-digit Harmonized System as the comprehensive classification for international trade, the Secretariat believes that this should be the goal of the Harmonized System and

further believes that it may be possible to move in this direction in certain product sectors of the HS.

6. The Secretariat is aware of the fact that a great deal of work has been undertaken by individual administrations and by the G-7 with a view to the simplification of Customs procedures. The acceptance of the simple HS 6-digit code for the classification of goods would be a tremendous step in that direction.
7. The Secretariat also believes that there are certain sectors of the HS, such as the pharmaceuticals sector and the information technology sector (which have been the subject of the elimination of Customs duties by the WTO), which might lend themselves to simplification.
8. Simplification also means making the Harmonized System easier to use, i.e., making it more user-friendly. We know that certain chapters, notes and headings are particularly complex. Efforts should be made to simplify those provisions.
9. Finally, renewed efforts should be undertaken to eliminate low trade volume headings and subheadings from the HS. The Secretariat believes strongly that Members should impose greater discipline on themselves during the Third HS Review Cycle with regard to the elimination of these product categories.

II. CONCLUSIONS

10. The Secretariat looks forward to the discussion of this issue in the Review Sub-Committee and would urge administrations to positively consider the need for HS simplification as part of the next review cycle. The Secretariat would request the Sub-Committee to, in particular, express its views as to whether simplification could be sought in the :
 - Pharmaceuticals sector
 - Information technology sector
 - Other sectors (e.g., textiles).
11. The Secretariat would also request the Sub-Committee to consider whether the rules agreed for the deletion of low trade volume headings and subheadings should be more strictly applied requiring, in particular, a specific written justification from administration wishing to maintain such headings or subheadings.
