

Welcome to

KACT 2017

Tariff and Trade Affairs Track

Harmonized System

Your facilitator

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Tariff and Trade Affairs**

KACT 2017

June, 21 – 23, 2017

Harmonized System

Program overview and introduction

Facilitator: Izaak Wind

Session I: Program Overview & Introduction



Table of Contents

Day 1 – Wednesday, 21 June 2017

Introduction

Session II: The Harmonized System: a brief introduction

Session III: Amending the Harmonized System

Session IV: The 2017 amendments

Session V: The HS from the private sector perspective
and the HS beyond 2017

Session I: Program Overview & Introduction



Table of Contents

Day 2 – Thursday, 22 June 2017

Session VI: Application of GIR 1

Session VII: Application of GIR 3

Session VIII: The Customs laboratory

Session IX: Classification of parts

Session I: Program Overview & Introduction



Table of Contents

Day 3 – Friday, 23 June 2017

Session X: Section XVI

Session XI: Classification of articles in the high tech area

Session XII: Summary and closing remarks

Session II

The Harmonized System – a brief introduction

Session II

Harmonized System:

- International Convention
- One of the Flagships
- World Customs Organization

WCO



- ✓ WCO : the intergovernmental organization uniquely competent in Customs matters
- ✓ 181 Members (newest Member : Kosovo)
- ✓ Global Centre of Customs expertise
- ✓ Leading role in development, and implementation of modern Customs procedures

Harmonization and simplification

Objective WCO :

- Harmonization and simplification of Customs systems and procedures
- Conventions
- Recommendations, Declarations and other instruments
- Best-practice approaches

Harmonization and simplification

Some of the WCO instruments :

- Simplification and harmonization of Customs procedures: Revised Kyoto Convention
- Commodity description and coding system: Harmonized System
- Declaration on the illegal wildlife trade

The International Convention on the Harmonized Commodity Description and Coding System



- Annex to the Convention: the HS Nomenclature
- Multipurpose Goods Nomenclature
- Basis for Customs Tariffs and Trade Statistics of 200 countries and economies
- More than 98 % of World trade in terms of the HS
- The universal economic language and code for transportable goods

The Harmonized System (HS)



- Implemented internationally in 1988 by the HS Convention
- 156 Contracting Parties (June 2017)
- Maintained by WCO through the HS Committee
- Nomenclature Sub-Directorate acts as Secretariat

The Harmonized System (HS)



Main objectives :

- To facilitate international trade
- Collection, comparison and analysis of trade statistics
- Standardization of trade documentation and transmission of data

The Harmonized System (HS)



Used by :

- Customs and statisticians
- Governments
- International organizations
- Private sector

The Harmonized System (HS)



Many purposes, such as :

- ✓ internal taxes
- ✓ trade policies
- ✓ monitoring of controlled goods
- ✓ rules of origin
- ✓ transport statistics
- ✓ quota controls
- ✓ economic research and analysis.

A universal economic language and code for goods,
and an indispensable tool for international trade

The Harmonized System (HS)



HS provisions for monitoring international trade of controlled goods (examples):

- 1211.50 – Ephedra
- 2811.12 -- Hydrogen cyanide (hydrocyanic acid)
- 2903.83 -- Mirex (ISO)

The Harmonized System (HS)

HS provisions for Rules of Origin (example EU - ACP):

List of working or processing required to be carried out on non-originating materials in order for the product manufactured to acquire originating status

The products included in the list may not all be covered by this Regulation. It is therefore necessary to consult the other parts of this Regulation.

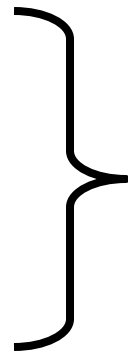
HS heading No	Description of product	Working or processing carried out on non-originating materials that confers originating status	
(1)	(2)	(3) or (4)	
Chapter 01	Live animals	All the animals of Chapter 1 used must be wholly obtained	

HS heading No

The Harmonized System (HS)

Convention

- Preamble
- 20 articles
- Annex



“The Harmonized Commodity Description and Coding System”

commonly referred to as

“Harmonized System”, “HS”, or
“Nomenclature”

The structure

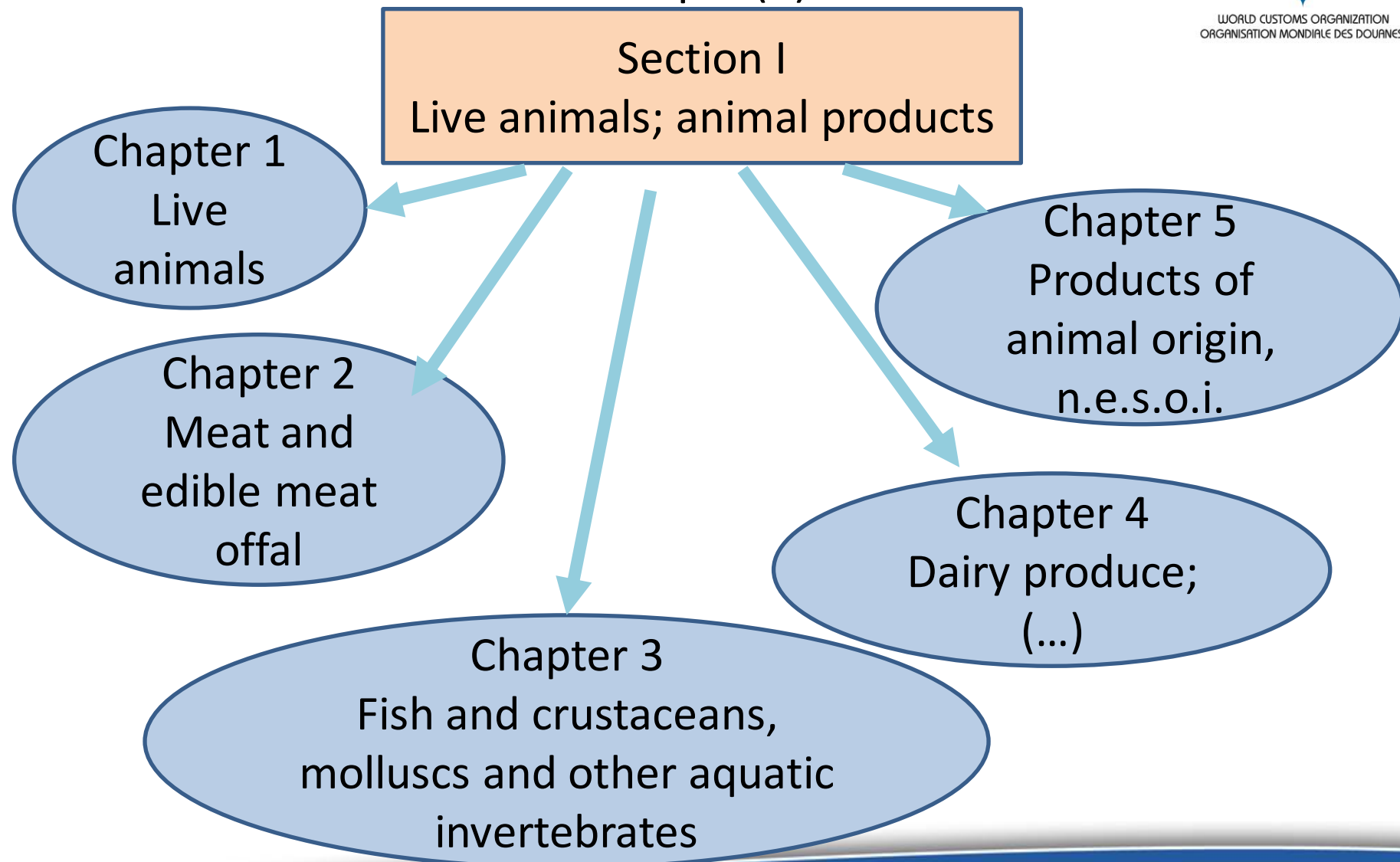
The Harmonized System (HS):

- ✓ Structured Nomenclature
- ✓ Provides a legal and logical structure
- ✓ Identification of goods

The structure (2017 edition)

- 21 Sections
- 96 Chapters
- 1,222 Headings (4 digits)
- 5,387 Groups of commodities identified by description (6 digits)

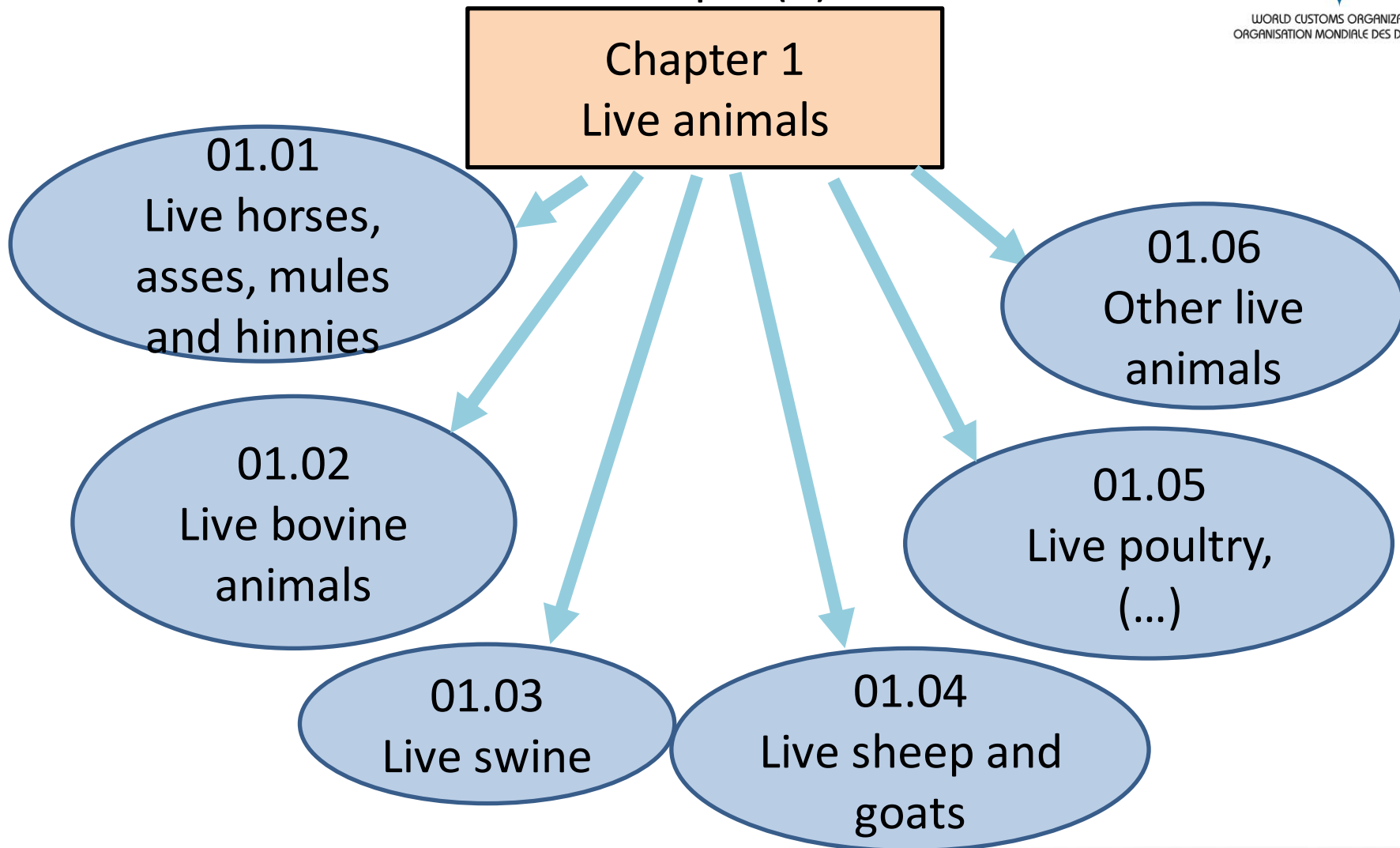
Structure Example (1)



Section I – typical products

- Living poultry – 01.05
- Chicken meat, fresh, chilled or frozen – 02.07
- Eggs, in shell, fresh – 04.07

Structure Example (2)



Structure

Example (3)

Heading 01.01

Live horses, asses, mules and hinnies

- Horses
- 0101.21 - - Pure-bred breeding animals
- 0101.29 - - Other
- 0101.30 - Asses
- 0101.90 - Other

The Harmonized System (HS)

Section, Chapter and Subheading Notes

- Form an integral part of the HS
- To define the scope of :
 - Section
 - Chapter
 - Heading (or group of headings)
 - Subheading
- Commonly known as “legal notes”

The Notes

General definitions limiting the scope of a subheading or heading or the meaning of particular terms

Examples :

- Note 5 (A) to Chapter 84 – definition of “ADP-machines”
- Note 5 to Chapter 85 – definition of “flash memory cards” and “smart cards”

The Notes

- *Non exhaustive* list of products covered
 - example :
 - Note 2 to Chapter 86 – “parts of railway or tramway locomotives or rolling-stock” of heading 86.07:
“Heading 86.07 **applies, *inter alia***”

The Notes

- Exhaustive list of goods covered by a heading or group of headings
 - example :
 - Note 4 to Chapter 30 – scope of heading 30.06:
“Heading 30.06 **applies only to** the following”

The Notes

- Exclusions (products not covered)
 - example :
 - Note 1 to Chapter 85 –
list of products not classified in Chapter 85
+ indication where to be classified
- NB. Almost all Chapters have an exclusion Note!

The obligations

Customs tariffs and statistical nomenclatures shall be in conformity with the HS :

- use all headings and subheadings together with their related numerical codes
- general rules of interpretation, all section notes, chapter notes and subheading notes
- follow the numerical sequence of the HS
- no modifications permitted except textual adaptations for the purposes of domestic law

The obligations

- Make publicly available import and export trade statistics in term of 6-digit of the HS

Exceptions :

- for reasons of commercial confidentiality or national security
 - goods of no commercial value
- To implement HS amendments on the date of their entry into force (art. 16)

Maintenance

Harmonized System Committee (HSC)

- Composed of the representatives of HS Contracting Parties
- Two sessions in a year
- Classification questions (including disputes)
- Classification Opinions
- Explanatory Note amendments
- Legal Text amendments
- HS-related Council recommendations
- General questions and policy matters relating to the HS

Maintenance

- **Working Party (WP)**
 - finalizing drafts of Classification Opinions and Explanatory Notes
- **Review Sub-Committee (RSC)**
 - keeping the HS up to date in terms of trading patterns and changes in technology
- **Scientific Sub-Committee (SSC)**
 - assisting the HSC and other WCO committees

The Harmonized System (HS)



Any questions?

Session III

Amending the Harmonized System

Session III

Remember?



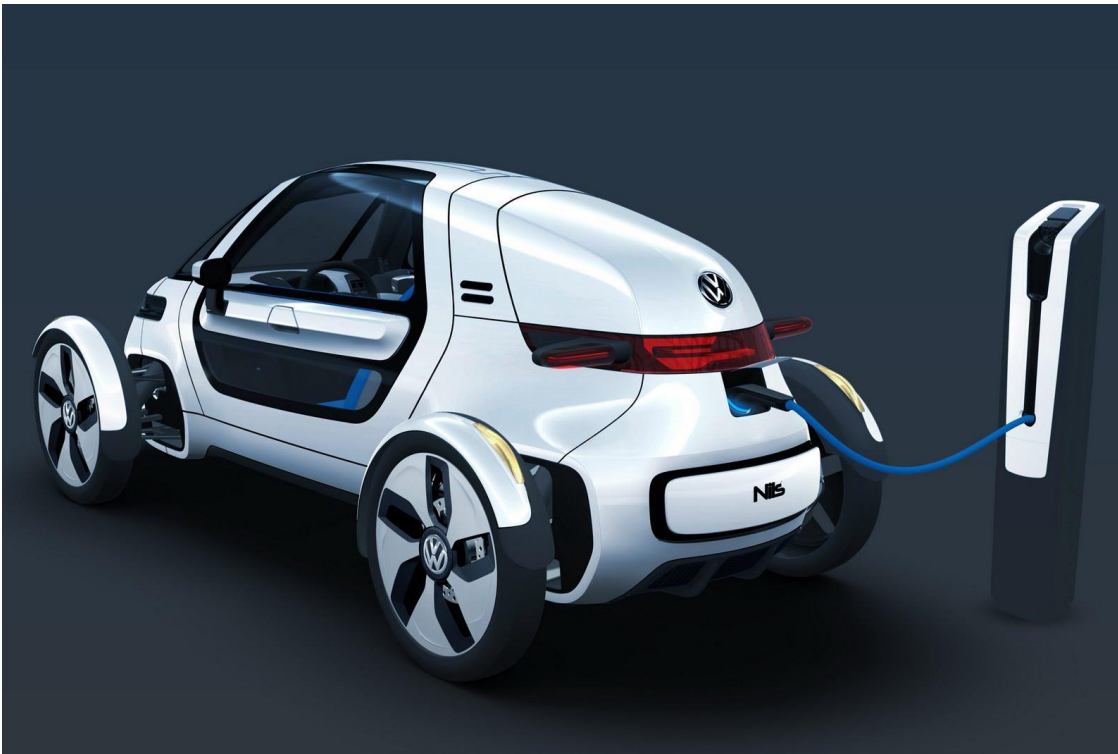
Session III

And do you know this?



Session III

And this?



Amending the HS PREAMBLE

“The Contracting Parties to this Convention, established under the auspices of the Customs Cooperation Council,
... **INTERNATIONAL CONVENTION ON**

THE HARMONIZED COMMODITY
“Considering the importance of ensuring that the
DESCRIPTION AND CODING SYSTEM
Harmonized System is kept up-to-date in the light of
changes in technology or in patterns of International
trade,...

“...Have agreed...

Amending the HS

ARTICLE 8

(Role of the Council)

“The Council shall examine proposals for amendment of this Convention, prepared by the Harmonized System Committee, and recommend them to the Contracting Parties...”

ARTICLE 16

(Amendment procedure)

“The Council may recommend amendments to this Convention to the Contracting Parties.”

Amending the HS (HS 2017)

- Drafting period (± 5 years)
mid 2009 to spring 2014
- Adoption period (± 6 months)
July 2014 to January 2015
- Implementation period (± 2 years)
January 2015 to January 2017
- Entry into force
1 January 2017

Amending the HS



Adoption period

Article 16 - Amendment procedure

1. The Council may recommend amendments to this Convention to the Contracting Parties.
2. Any Contracting Party may notify the Secretary General of an **objection** to a recommended amendment and may subsequently withdraw such objection within the period specified in paragraph 3 of this Article.
3. Any recommended amendment shall be deemed to be accepted **six months after the date of its notification** by the Secretary General provided that there is no objection outstanding at the end of this period.

[...]

Implementation period

Article 16 - Amendment procedure

[...]

4. Accepted amendments shall enter into force for all Contracting Parties on one of the following dates:

(a) where the recommended amendment is notified before 1 April, the date shall be the first of January of the second year following the date of such notification,

or

(b) where the recommended amendment is notified on or after 1 April, the date shall be the first of January of the third year following the date of such notification.

Implementation period (1)

WCO



- Development of requisite correlation tables between the old and the new versions of the HS
- Drafting amendments to the Explanatory Notes
- Drafting amendments to the Compendium of Classification Opinions

Implementation period (1)

WCO



- Updating and re-publication of all HS related publications, e.g.:
 - Nomenclature
 - Explanatory Notes
 - Classification Opinions
 - Alphabetical Index
 - [Commodity Database, CLiKC!]
- Updating the WCO Web site

Implementation period (2)

Other than WCO

- Translation of the texts into third language (if necessary)
- Legislative process in Member administrations
- Updating of affected computer databases in Member administrations
- Training of Customs, other affected government agencies and trade
- WTO negotiations concerning the possible impairment of tariff concessions
- Revision of the trade statistical systems of the United Nations (for example, the SITC, CPC)

Co-operation with other international organizations

- WTO (Schedules of tariff concessions)
- UNSD (Statistical information)
- CITES (Endangered species)
- WHO (Pharmaceuticals)
- FAO (Food security program)
- UNEP :
 - Ozone Secretariat (Ozone Layer Recommendation)
 - Basel Convention (Hazardous wastes)
- ICC (Technical issues – input from industry)

Input from private sector

Input from the private sector :

- Proposals
- Commentary

Input from private sector

Direct or through the national association to:

- National Customs authority

Through global associations to:

- ICC
- National Customs authorities

No requests from private sector directly to WCO!

Input from private sector

So, you can influence the outcome!

Amending the HS

Questions?



Session IV: The 2017 Amendments

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WCO Senior Technical Officer

THAT'S ALL !
(for today)