Japan Customs’ views on the Strategic Review of the HS

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• HS – Multipurpose nomenclature

• 30 years – Significant change in traded goods, users etc.

• Conference for not only Customs officers but also traders, statisticians, academics or policy makers

• Japan Customs has heard views from the private sector, chamber of commerce, relevant ministries etc.
Japan Customs’ views on the Strategic Review of the HS

Suggestions to make the HS more fully functional:

1. Enhancing user-friendliness, clarity and transparency of the HS and classification tools

2. Improving transparency, efficiency and effectiveness in classification decisions

3. Careful consideration of the impact of HS amendments on various areas (e.g. FTA/EPA negotiations, rules of origin)
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Suggestions to make the HS more fully functional:

1. Enhancing **user-friendliness, clarity and transparency** of the HS and classification tools
Expansion of FTAs/EPAs, globalization of trade, E-commerce, technological progress etc.

- Change in traded goods
- Increase of **New HS users** (SMEs, individuals)

1. Enhancing user-friendliness, clarity and transparency of the HS and classification tools

- The HS should be made easy-to-understand, simple and clear
- Usability and public availability of classification tools should be improved

- **Reduce compliance cost**
- **Facilitate Trade**
- **Collect duty efficiently**
- **Improve reliability of trade statistics**
1. Enhancing user-friendliness, clarity and transparency of the HS and classification tools

- The HS should be made easy-to-understand, simple and clear

A) Clarification of provisions in the Nomenclature
   - Terms of headings, subheadings and Notes
   - General Interpretative Rules (GIRs)

B) Refinement of the Explanatory Notes
   - Clearer descriptions, including production process, reasons for classification

### Future

<table>
<thead>
<tr>
<th>HS Nomenclature</th>
<th>Explanatory Notes</th>
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</thead>
<tbody>
<tr>
<td>• Clearer GIRs</td>
<td>• Scope of Chapter etc.</td>
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<tr>
<td>• Clearer Notes</td>
<td>• Classification criteria</td>
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<tr>
<td>• Clearer Headings</td>
<td>• Goods description</td>
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<tr>
<td>• Clearer Subheadings</td>
<td>+ production process</td>
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<td></td>
<td>• Classification examples</td>
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<td></td>
<td>+ reasons for classification</td>
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</tbody>
</table>
The HS should be made easy-to-understand, simple and clear (cont.)

C) Review of HS language (technical terms)

- Current -
  - Automatic data processing machines
  - “Parts of general use”

- Future -
  - Computers
  - “Goods specified in Note 2 to Section XV”

D) Amendment to reflect the technological progress and expansion of FTAs/EPAs

- High-tech products (e.g. Chapters 84, 85 and 90)
  Multifunctional products
  Communication, sound, image, Automatic data processing...

- Parts of motor vehicles

FTA/EPA Preferential rules of origin – Self certification of origin
Increasing the granularity of the HS can facilitate the utilization of FTAs/EPAs, thereby adding value to the HS.
Usability and public availability of classification tools should be improved

E) Improvement of **usability** and **public availability** of WCO’s classification tools

- WCO HS Database, Explanatory Notes, Compendium of Classification Opinions, Alphabetical Index

**WCO HS Database, Alphabetical index**

- **Current** -
  - Keyword: “computer”
  - Results: Headings 84.58, 90.23 and 85.42

- **Future** -
  - Keyword: “computer”
  - Results: Heading 84.71

*Improving availability of information is as important as refining the Nomenclature*
2. Improving **transparency, efficiency and effectiveness** in classification decisions
The HS has been amended every 5 years to reflect changes in technology and patterns of international trade however,

- the number of complex classification issues has been increasing;
- older editions of the HS are still used in WTO concession schedules, FTA/EPA concession schedules and rules of origin (PSRs) etc.

Dispute settlement function of the HS Committee should be strengthened

✓ Solve difficult classification issues efficiently and effectively
✓ Increase transparency
● Dispute settlement function of the HS Committee should be strengthened

A) Establishment of an expert group which closely examines difficult classification issues (e.g. reservation cases)

B) Participation of a third-party body in the discussions at the HS Committee to maintain neutrality and objectivity in the technical consideration to classify goods

C) Granting the HS Committee the power to consider and decide classification of goods based on previous editions of the HS, taking into account the increase in the number of FTAs/EPAs based on previous editions of the HS
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Suggestions to make the HS more fully functional:

3. Careful consideration of the impact of HS amendments on various areas (e.g. FTA/EPA negotiations, rules of origin)
3. Careful consideration of the impact of HS amendments on various areas (e.g. FTA/EPA negotiations, rules of origin)

HS amendments may have a great impact on:
- Trade statistics
- National tariff schedules
- WTO concession schedules
- FTA/EPA concession schedules
- Preferential rules of origin etc.

Adequate information about HS amendments should be made publicly available
Repercussions of the HS amendment should be considered

✓ Assist Members to transpose their tariff schedules in relation to HS amendments
✓ Prevent misapplication of tariff schedules, rules of origin while waiting for transposition
3. Careful consideration of the impact of HS amendments on various areas (e.g. FTA/EPA negotiations, rules of origin)

● Adequate information about HS amendments should be made publicly available

A) Introduction of more in-depth descriptions into the Correlation Tables (tables correlating previous and new editions of the HS)

<table>
<thead>
<tr>
<th>HS 2012</th>
<th>HS 2017</th>
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<tbody>
<tr>
<td>2204.29</td>
<td>2204.22</td>
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<tr>
<td>2204.29</td>
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<table>
<thead>
<tr>
<th>HS 2012</th>
<th>HS 2017</th>
<th>HS 2017 description</th>
</tr>
</thead>
<tbody>
<tr>
<td>2204.29</td>
<td>2204.22</td>
<td>In containers holding more than 2 l but not more than 10 l</td>
</tr>
<tr>
<td>2204.29</td>
<td></td>
<td>Other</td>
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B) Disclosure of detailed information on HS amendments, e.g. presentation materials used in the WCO workshops on HS amendments

Improving availability of information helps to maintain the uniform application of the HS.
3. Careful consideration of the impact of HS amendments on various areas (e.g. FTA/EPA negotiations, rules of origin)

- Repercussions of the HS amendment should be considered

C) Consideration of repercussions of the deletion of HS codes on statistical continuity, application of preferential rules of origin etc.

Consultation with the relevant body is indispensable for preventing unintended negative effect of HS amendments
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Suggestions to make the HS more fully functional:

1. Enhancing **user-friendliness, clarity and transparency** of the HS and classification tools
   - **Reduce compliance cost**
   - **Facilitate Trade**
   - **Collect duty efficiently**
   - **Improve reliability of trade statistics**

2. Improving **transparency, efficiency and effectiveness** in classification decisions
   - **Solve difficult classification issues efficiently and effectively**
   - **Increase transparency**

3. Careful consideration of the **impact of HS amendments** on various areas (e.g. FTA/EPA negotiations, rules of origin)
   - **Assist Members to transpose their tariff schedules in relation to HS amendments**
   - **Prevent misapplication of tariff schedules, rules of origin while waiting for transposition**
Thank you for your attention!

Any questions?