

Japan Customs' Views on the Strategic Review of the Harmonized System

As of 8 April 2019

The strategic review of the HS should take into account the expansion of FTAs/EPAs, technological progress including the rise of e-commerce, and trade facilitation etc. To that end, Japan Customs would like to suggest the following reform to make the HS more fully functional.

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

Considering that more and more people have become regular users of the HS in accordance with the rise of e-commerce and globalization of trade etc., the HS Nomenclature and other classification tools should be written in a clear and precise way to the extent possible so that every HS user can classify goods without trouble or error. In addition, public availability of the WCO's classification information should be further improved in order to acquaint HS users with the rules and structure of the HS.

- A) Clarification of provisions in the Nomenclature (i.e. General Interpretative Rules (GIRs), terms of headings, subheadings and Notes)
- B) Refinement of the Explanatory Notes (e.g. clearer description of products including production process, reasons for the classification)
- C) Review of language (technical terms) used in the Nomenclature and the Explanatory Notes
- D) Amendment to reflect the technological progress and expansion of FTAs/EPAs
 - i. High-tech products (e.g. Chapters 84, 85 and 90)
 - ii. Parts of motor vehicles
- E) Improvement of the usability and public availability of WCO's classification tools, e.g. WCO HS Database, the Explanatory Notes, Compendium of Classification Opinions, and Alphabetical Index

2. Improving transparency, efficiency and effectiveness of classification decisions

Traded goods have become complicated according to technological

development. The HS has been amended to reflect changes in technology and the patterns of international trade, however, older editions of the HS are still in use in most Members' WTO concession schedules and existing FTAs/EPAs. Taking into account this situation, the functions of the HS Committee should be strengthened to cope with difficult or complicated disputes more efficiently and effectively.

- 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

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

HS amendments can have a great impact on not only trade statistics and Members' national tariff schedules but also the application of their WTO concession schedules, FTA/EPA concession schedules and preferential rules of origin. Therefore, repercussions of HS amendments have to be taken into account when amending the HS. In addition, adequate information about the 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)
- B) Disclosure of detailed information on HS amendments, e.g. presentation materials used in the WCO workshops on HS amendments
- C) Consideration of repercussions of the deletion of HS codes on statistical continuity, application of tariffs and preferential rules of origin etc.
