

EXPLANATORY STATEMENT 4 OF 2007

Amendment to Annex 2-B (United States Tariff Schedule) of the Australia–United States Free Trade Agreement (AUSFTA) of 18 May 2004 [2005] ATS 1

Practical and legal effect

1. The practical and legal effect of these changes is negligible. This is because the changes have the effect only of harmonising the customs classifications used in the tariff annexes of AUSFTA with those used by WCO members, including Australia.
2. The Harmonized System (HS) is an international system for classifying all goods traded on the international market. The HS is overseen by the World Customs Organization (WCO) of which Australia and the United States of America (USA) are members pursuant to the *International Convention on the Harmonized Commodity Description and Coding System*, done at Brussels on 14 June 1983 and as amended by the *Protocol of Amendment to the International Convention on the Harmonized Commodity Description and Coding System* of 24 June 1986 (HS Convention). Every five years, the HS is amended to reflect changes in the kinds of goods that are traded on the international market. The recent set of amendments came into effect on 1 January 2007 (HS2007 changes).

Nature and Timing of proposed treaty matter

3. The effect of the Amendments is to unify the customs classifications used in the US tariff schedule contained in Annex 2-B of the AUSFTA with those used currently by WCO members. Australia and the United States have worked together to ensure that the AUSFTA is consistent with the HS2007 changes. Australia's tariff schedule (Annex 2-B of AUSFTA) was tabled on 6 September 2006 for Joint Standing Committee on Treaties' (JSCOT) consideration. The US tariff schedule (Annex 2-B of AUSFTA) was not ready at this time due to inaccuracies identified by Australia. The Australian Customs Service and the Department of Foreign Affairs and Trade are now satisfied with the changes made to the US tariff schedule and we are now in a position to proceed with its consideration by JSCOT.
4. Once Australia's internal processes are completed, Diplomatic Notes will be exchanged between Australia and the USA to bring into force this Amendment and the Amendments to Annex 2-B (tariff schedule of Australia), Annex 4-A and Annex 5-A of AUSFTA, as recommended by JSCOT in Reports 77 and 79.

Reasons for Australia to take the proposed action relating to the treaty matter

5. The modifications to the US tariff schedule (Annex 2-B of AUSFTA) are consistent with the changes made to Australia's AUSFTA Annex 2-B tariff schedule and will ensure consistency with the current customs description and coding system maintained by the WCO.

Implementing Legislation

6. No legislative change is needed to implement the proposed treaty action.