



HARMONIZED SYSTEM  
REVIEW SUB-COMMITTEE

-  
28<sup>th</sup> Session  
-

NR0422E1  
(+ Annex)

O. Eng.

Brussels, 8 July 2003.

POSSIBLE AMENDMENT OF NOTE 5 TO CHAPTER 85

(SECRETARIAT PROPOSAL)

(Item III.A.24 on Agenda)

Reference documents :

NR0326E1 (RSC/26)  
NR0323E1 (RSC/26)  
NR0387E1 (RSC/WG/1)  
Informal Group

NR0332E3, Annexes D/8 and F/21 (RSC/26 – Report)  
NR0334E1 (RSC/WG/1)  
Summary Report (RSC/WG/1)

I. BACKGROUND

RSC/26

1. At its 26<sup>th</sup> Session, the Review Sub-Committee held a preliminary exchange of views on the **US** proposal to amend Note 5 (B) to Chapter 85 and heading 85.42 for electronic integrated circuits and microassemblies. This proposal was supported in principle. It was aimed firstly at deleting microassemblies from current subheading 8542.70 since they represented obsolete technology and, secondly, at supplementing the definition of monolithic integrated circuits to reflect technological developments, by mentioning the other semiconductor materials currently used to produce these monolithic integrated circuits (gallium arsenide, silicon germanium, indium phosphide).
2. Another aim of this proposal was to separately identify these articles, at subheading level, not by reference to the objective characteristics which they derived from their manufacturing process, as was the case in the 2002 version of the Harmonized System, but on the basis of the function they performed, with processors and controllers being distinguished from memories, converters, clock and timing circuits and other circuits.

Note : Shaded parts will be removed when documents are placed on the WCO documentation database available to the public.

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3. The Delegate of **Japan** proposed that Note 5 (B) (b) to Chapter 85 should be modified by deleting the expression "obtained by thin- or thick-film technology" in order to eliminate obsolete manufacturing technologies.
4. One delegate pointed out that this proposal was closely related to those made by the **EC** and **Canada**, which involved a radical restructuring of Chapters 84, 85, 90 and 95 to reflect new technologies; it should therefore form part of the study to be carried out by the Working Group. As this was the unanimous view of the Sub-Committee, it was agreed that the entire proposal would be placed in square brackets and forwarded to the Working Group for study. For the convenience of delegates, the Secretariat has reproduced the text of the **US** proposal with regard to Note 5 (B) to Chapter 85 below :

[Note 5.

1. Paragraph (B). First line.

Delete "and microassemblies".

2. Paragraph (B) (a).

Delete and substitute :

"(a) Monolithic integrated circuits in which the circuit elements (diodes, transistors, resistors, capacitors, interconnections, etc.) are created in the mass (essentially) and on the surface of a semiconductor or compound semiconductor material (for example, doped silicon, gallium arsenide, silicon germanium, indium phosphide) and are inseparably associated;"

3. Paragraph (B) (b).

Delete the semi-colon at the end of this paragraph and substitute a full stop.

4. Paragraph (B) (c).

Delete this paragraph.]

Working Group of the Review Sub-Committee.

5. At the 1<sup>st</sup> Session of the Working Group of the Review Sub-Committee, the **EC** Delegate stated that he could accept the **US** proposal for Note 5 to Chapter 85 as a working basis. However, he suggested deleting the term "interconnections" in sub-paragraph (a) of that Note and replacing the same term by "inductances" in sub-paragraph (b). The **US** Delegate indicated that his administration would reflect on this matter during the intersession.
6. The Delegate of **Japan** pointed out that, since the definition of current Note 5 (B) (b) referred to obsolete manufacturing processes, the Note would exclude "hybrid integrated circuits" produced by new technology (i.e., a bare chip bonded on a printed circuit board) and should be updated. He informed the Group that he would consult with industry with respect to the question whether or not thin-or-thick film-technology (which should be deleted from the Note) was still used in the production of electronic integrated circuits, and that **Japan** would submit a proposal in this connection for discussion at the next session.

7. The **EC** Delegate stated that, with a view to excluding “smart cards” from heading 85.24 and referring them to proposed heading 85.60 or 85.61, as the case may be, the last part of the last sub-paragraph should be maintained. He also indicated that delegations should reflect on whether or not multichip circuits should also be regarded as “integrated circuits”.

Informal Working Group on restructuring Section XVI

8. The Informal Working Group met in Brussels from 12 to 14 May 2003. The Informal Group agreed that the review of Note 5 (B) to Chapter 85 should proceed on the basis of the **US** proposal. The reference to “interconnections” and “inductances” would be reflected upon by both the **EC** and the **United States**. A reference to “multiple chip” was to be included and the **EC** indicated that it might submit a proposal in this connection. There was consensus to restrict the scope of current heading 85.42 to electronic integrated circuits only, thus excluding “microassemblies” from that heading as well as proposed heading 85.53 (**EC**). The Secretariat understands that such assemblies would be classified in HS 2002 heading 85.43 or in another heading in Chapter 85 (for example, heading 85.55, as proposed by the **EC**), depending on the function of the product. The Secretariat was asked to propose a redraft of Note 5 to Chapter 85 by the Informal Working Group.

II. SECRETARIAT COMMENTS

9. Based on the discussions held in the various meetings, the text already provisionally approved at HSC/30 and using the **US** proposal as a base, the Secretariat presents the following proposals for amending Note 5 to Chapter 85. These proposals have been incorporated in the bilingual annex to this document. The Secretariat would draw the Committee’s attention to the following points :

**Items 1 and 2**

10. These items cover proposed editorial amendments provisionally adopted by the Committee during HSC/30 (Annex M/6 to Doc. NC0655B2).

**Item 3**

11. Item 3 covers a proposal made by the **United States** during RSC/26 and to which no opposition was expressed.

**Items 4 and 5**

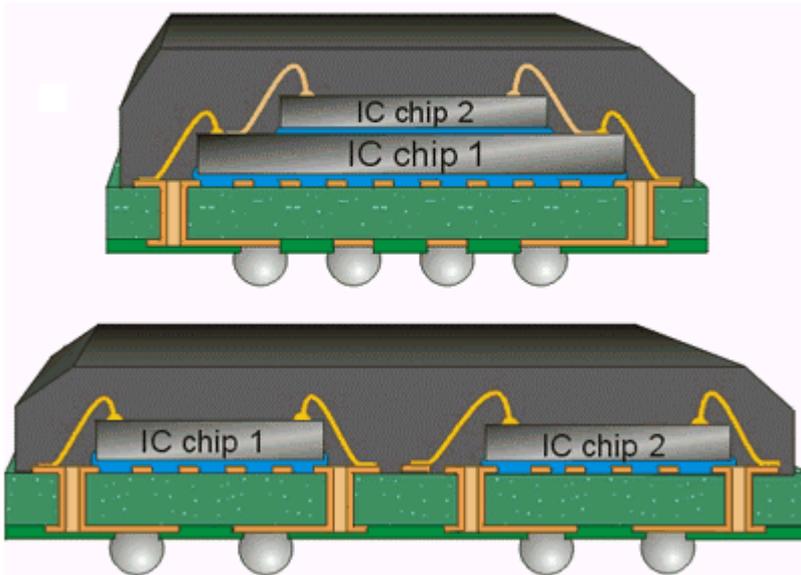
12. Items 4 and 5 reflect a combination of proposals from the **United States** and the **EC**. As indicated in paragraphs 5 and 8 above, the **United States** and the **EC** were to reflect on the references to “interconnections” and “inductances”. With regard to item 5, the **Japanese** Administration was to report back to the RSC on the results of their consultation with industry with respect to the question of whether or not thin-or thick film-technology was still used in the production of electronic integrated circuits. **Japan** had indicated that it would submit a proposal in this connection for discussion at the next session.

13. In addition, item 5 also contains a reference to “multichip packages” which the **EC** requested and had indicated that it might submit a proposal on. The following information on

multichip packages has been extracted from information supplied by the ICC in the Annex to Doc. NC0419E1 :

“(MultiChip Package) A chip package that contains two or more chips. It is essentially a multichip module (MCM) that uses a laminated, printed-circuit-board-like substrate (MCM-L) rather than ceramic (MCM-C). MCPs are also tested after packaging, whereas the bare die of ceramic-based MCMs were tested before packaging so as not to waste the more costly ceramic substrate if the chips were no good.

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These are examples of multichip packages with stacked chips (top) and side-by-side chips (bottom). The chips are wire bonded to the resin-based substrate which is attached to the printed circuit board using a ball grid array (BGA). (Illustration courtesy of Joseph Fjelstad.)”

**Last paragraph**

14. The Secretariat suggests inserting an exclusion in Note 5 to Chapter 85 for HS 2002 headings 85.23 and 85.24 similar to the one proposed by the EC at the end of their Note 10 for proposed headings 85.60 and 85.61.

III. SECRETARIAT PROPOSAL

CHAPTER 85.

1. Note 5.

Delete “(A)” and “(B)” and substitute “(a)” and “(b)”, respectively.

2. Present Note 5 (B) (relettered 5 (b)).

Delete “(a)”, “(b)” and “(c)” and substitute “(i)”, “(ii)” and “(iii)”, respectively.

[3. Present paragraph (B). First line.

Delete “and microassemblies”.

4. Paragraph (B) (a).

Delete and substitute :

“(a) Monolithic integrated circuits in which the circuit elements (diodes, transistors, resistors, capacitors, [interconnections,] [multichip packages,] etc.) are created in the mass (essentially) and on the surface of a semiconductor or compound semiconductor material (for example, doped silicon, gallium arsenide, silicon germanium, indium phosphide) and are inseparably associated;”.

5. Paragraph (B) (b).

Delete and substitute :

“(b) Hybrid integrated circuits in which passive elements (resistors, capacitors, [interconnections,] [inductances,] etc.), [obtained by thin- or thick-film technology], and active elements (diodes, transistors, monolithic integrated circuits, etc.), obtained by semiconductor technology, are combined to all intents and purposes indivisibly, by interconnections or interconnecting cables, on a single insulating substrate (glass, ceramic, etc.). These circuits may also include discrete components;”.

Paragraph (B) (c).

Delete this paragraph.

Last paragraph.

Delete and substitute :

“For the classification of the articles defined in this Note, headings 85.41 and 85.42 shall take precedence over any other heading in the Nomenclature, except in the case of headings 85.23 and 85.24, which might cover them by reference to, in particular, their function.”]

IV. CONCLUSION

15. The Review Sub-Committee is invited to examine the Secretariat’s draft proposal for amending Note 5 to Chapter 85 as set out in the Annex to this document.

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