

Remarks by the Director of Tariff and Trade Affairs
at the
40th Session of the United Nations Statistics Division
(24-27 February 2009)

Good morning to all my colleagues. Thank you for giving me an opportunity to speak about the Harmonized System and the World Customs Organization. I see that you have an ambitious agenda and I shall keep my comments brief. The main topic I shall address is the set of HS revisions that entered into force in 2007, the degree to which administrations have updated their tariff and statistical nomenclatures to the 2007 HS, and the upcoming 2012 HS revision.

As you know, the Harmonized Commodity Description and Coding Systems (generally referred to as "Harmonized System" or simply "HS") is a multipurpose international product nomenclature developed by the WCO.

It comprises 5,051 commodity groups; each identified by a six digit code, arranged in a legal and logical structure and is supported by well-defined rules to achieve uniform classification. The system is used by more than 200 countries and economies as a basis for their Customs tariffs and for the collection of international trade statistics. Over 98 % of the merchandise in international trade is classified in terms of the HS.

Although its primary goals were simplification of tariff procedures and statistical reporting, the HS is also extensively used by governments, international organizations and the private sector for many other purposes such as internal taxes, trade policies, monitoring of controlled goods, rules of origin, freight tariffs, transport statistics, price monitoring, quota controls, compilation of national accounts, and economic research and analysis. The HS is thus a universal economic language and code for goods, and an indispensable tool for international trade.

The maintenance of the HS is a WCO priority. This activity includes measures to secure uniform interpretation of the HS and its periodic updating in light of developments in technology and changes in trade patterns. The WCO manages this process through the Harmonized System Committee (representing the Contracting Parties to the HS Convention), which examines policy matters, takes decisions on classification questions, settles disputes and prepares amendments to the Explanatory Notes. The HS Committee also prepares amendments updating the HS every 4 – 6 years.

The latest revision of the HS took force on January 1, 2007. It would be useful to see how broadly the 2007 changes have been implemented nationally.

As of February 2009, 135 countries, plus the EC, have signed the HS Convention and are Contracting Parties, agreeing to the terms of that Convention. Our most recent information regarding use of the HS, based on information available to us at the end of 2008, indicates that 111 of the Contracting Parties have notified the WCO that they updated their nomenclatures to align them on the 2007 HS categories. Seven administrations who are not Contracting Parties indicated that they were already using the 2007 HS.

That leaves over twenty Contracting Parties who have not yet updated their national nomenclatures. Nearly all of those are still using the 2002 HS, but a few administrations are still using the 1996 HS. A substantial number of administrations (25) who are not Contracting Parties are still basing their nomenclatures on the 2002 HS; of course those administrations are not under a contractual obligation to update.

The existence of different tariff/statistical nomenclatures based on different versions of the HS makes statistical analysis of trade flows difficult because of lack of comparability. In Geneva, the World Trade Organization has repeatedly stressed the importance of a uniform classification framework as a tool for facilitating trade negotiations. It is in everyone's interest to move towards a goal of uniform and consistent merchandise nomenclature categories. What is being done to encourage that goal?

One way of increasing compliance is by periodically re-examining the HHS to make sure that its categories remain relevant to governments and statisticians. As many of you know, the WCO is approaching the completion of another review of the Harmonized System, with a target date of January 2012 for implementation of new changes. The Harmonized System Committee will meet in March to complete the package of changes for submission to the Council during its annual meeting at the end of June. Among the changes provisionally approved by the Committee is the deletion of about 95 HS lines for which trade was below the \$50 million threshold agreed to by the Committee. The original list of eligible lines included several hundred low-trade lines but more than half will be retained, for structural or policy reasons. The United Nations Food and Agricultural Organization have requested a number of new HS lines in order to assist in the administration of food security programs, and the Committee will be making final decisions on those proposals during its March meeting.

Following council approval of the HS changes, and after a six-month reservation period, the Secretariat will begin preparation of the new legal texts and correlation tables. The Review Sub-Committee and Harmonized System Committee will work on necessary revisions of the Explanatory Notes, which users have found to be very helpful.

I will briefly discuss some other ways in which the WCO promotes adoption and uniform application of the HS.

Through its network of Regional Offices for Capacity Building and the thirteen Regional Training Centres established to date, the WCO provides ways for educating customs officers in the many technical facets of the HS and other WCO standards. During 2006 and 2007, HS seminars focused on the changes in the HS that took force in 2007. During 2008 the emphasis is on specific product areas of the Nomenclature.

The WCO reaches out to agencies outside the traditional customs offices, and to the public. So far we have scheduled the following HS-related seminars in Brussels during 2009 :

- 24-25 March 2009 - Expert training on the Harmonized System: General Interpretative Rules.
- 26-27 March 2009 - Expert training on the Harmonized System 2007 for chemical products.

In addition, the WCO provides on-line training for governments and the public, including the popular electronic training module on the 2007 HS changes.

Many of you are familiar with the range of WCO publications – the HS Nomenclature, the five-volume set of Explanatory Notes, the Compendium of Classification Opinions and the Alphabetical Index. One of the most useful resources for understanding current classification is the CD-ROM which contains the Explanatory Notes and Classification Opinions. The CD-ROM also includes the “HS Commodity Data base” -- which contains hundreds of thousands of common product names (such as “aspirin”), along with their HS classification, based on informal information donated by many of our Contracting Parties. The information on the CD-ROM is also available on-line by annual subscription.

Also, some of the information on official WCO classification rulings, as well as summary records of meetings, is posted on the WCO public WEB site. The WCO makes historical documents available in a searchable database, and we recently updated the search software to improve access.

Many international organizations attend meetings of the WCO’s nomenclature-related committees, and their participation as observers has provided a great benefit to the work of the WCO. In particular, the WCO has been able to respond to their requests to assist in the administration of international conventions in social, environmental and economic arenas. Furthermore, international agencies have provided invaluable technical support to the sometimes intricate, detailed product analysis that the WCO must frequently undertake. We look forward to continuing our good relationships with international organizations in the future.

Thank you for your kind attention.