PROGRESS REPORT ON HARMONIZATION OF ECONOMIC CLASSIFICATIONS

Report prepared by the United Nations Statistical Office

1. The Sub-Committee, at its seventeenth session, discussed the strategy and timetable for the harmonization and the revision of international economic classifications on the basis of a report entitled "Overall strategy for the harmonization of statistical classifications - economic classifications" (SA/1983/3), prepared by the United Nations Statistical Office in cooperation with the Statistical Office of the European Communities (EUROSTAT). In order to ensure compatibility among the classifications, the Sub-Committee emphasized the appropriateness of working on goods and activities classifications together, as well as the urgency of establishing concordance between trade and production classifications.

2. The programme of harmonization of international economic classifications was approved by the Statistical Commission at its nineteenth session and re-endorsed at subsequent sessions. The programme has as its goal a Central Product Classification (CPC) including classifications of non-transportable goods and services. These classifications are to be closely linked to a revised International Standard Industrial Classification of All Economic Activities (ISIC), and the CPC should use the subheadings of the Harmonized Commodity Description and Coding System (HS) of the Customs Co-operation Council (CCC) as building blocks. All these classifications, taken together, will form an Integrated System of Classifications of Activities and Products (known as SINAP).

3. Another objective of the work is to harmonize ISIC and the other major international activity classifications, particularly the General Industrial Classification of Economic Activities within the European Communities (NACE) and, if possible, the Classification of the Branches of National Economy of the Council for Mutual Economic Assistance (CMEA) Member Countries (CBNE).

4. In addition, the Statistical Commission at its session in March 1983, advised that, inter alia, in the preparation of a further draft of the Standard International Trade Classification (SITC), Revision 3, subsequently approved by the Statistical Commission at its 23rd session in February/March 1985, attention should be given to improving the harmonization of SITC with ISIC and the CPC.

5. The work on harmonization of international economic classifications is being carried on with the assistance of the United Nations Statistical
Office/Statistical Office of the European Communities Joint Working Group on World Level Classifications. Experts from the following countries attended the last session in June 1985: Brazil; Canada; Czechoslovakia; France; Germany, Federal Republic of; Hungary; India; Netherlands; Senegal; Sweden; United Kingdom and U.S.A. Representatives of ECE, FAO, CCC and OECD also participated. At this meeting SINAP proposals concerning the parts of ISIC and CPC dealing with services were discussed. These proposals were drafted by the Statistical Office of the European Communities and are, especially regarding the CPC, the very first drafts ever made in this field for international use.

6. The discussions showed that, although it was recognized that the proposals were very useful, much still remained to be done in order to obtain results that would be acceptable to all parties concerned. On the basis of the discussions and comments received after the meeting, the Secretariat prepared new drafts for the complete ISIC, Rev.3 and the CPC. Since they were considered to be extremely complicated areas, the UN Statistical Office hired a consultant who wrote a report on Banking and Insurance classifications and asked another expert to make suggestions for the Government sector.

7. The UN Statistical Office then also convened an expert group meeting from 28 April to 2 May 1986 at United Nations Headquarters for which, as suggested by the Statistical Commission, efforts were made to ensure that the membership was similar to that of the Joint UNSO/SoEC meetings (see para. 5 above). This meeting discussed the new drafts of ISIC and CPC and the reports of the two experts mentioned above.

8. On the basis of the results of this meeting the drafts of the complete ISIC, Rev.3 and the CPC are being finalized and together with a progress report of the Secretary General, will be sent to the Members of the Statistical Commission for consideration at its 24th session in February/March 1987. The first parts of these drafts, dealing with (the production of) transportable goods should be regarded as more or less final, since they have already been discussed several times by expert groups and by the Statistical Commission. The second parts, however, dealing with the services sector are completely new and should thus be regarded as only tentative drafts.

9. As a matter of fact, the treatment of the services area is proving to be a particularly complicated one, not only as far as classifications are concerned but also concerning other statistical approaches. A recent inquiry by the UN Statistical Office showed that even in the statistically most developed countries and in international organizations, not much progress has been made in the field of services statistics (see also doc. SA/1986/9). On the one hand, this is of course regrettable but on the other, it could be an indication that this is the right moment to establish harmonization in services statistics for the future. Since harmonization can be achieved only
if international guidelines are available and since classifications are by
definition part of such guidelines, it should be clear that establishing the
new parts of the ISIC and CPC, dealing with (the production of) services is a
crucial task in relation to the development of services statistics.

10. The drafts of ISIC, Rev.3 and CPC that will be sent to the Statistical
Commission will, resources permitting, be discussed during a meeting of the
Conference of European Statisticians on economic classifications, tentatively
scheduled for 3-7 November 1986 in Geneva. If time permits, a discussion
document will be prepared for that session taking into account comments
received from countries and organizations. In any case, the documents will be
sent for comments to all interested countries and organizations.

11. One of the important issues that should be considered is the level of
detail of both ISIC and CPC. The current draft of ISIC contains 125 3-digit
categories (an increase of 76% as compared with ISIC, Rev.2) and 260 4-digits
(+ 65%) and the CPC contains some 1500 items. Some but not all of this is due
to the extension of the services area. Several comments were received which
cast doubt on whether this detail is needed in an international standard and
whether, in particular, developing countries can handle this.

12. The Standard International Trade Classification (SITC), Rev.3 was
approved by the Statistical Commission at its 23rd session in 1985 and will be
published soon. After the completion of the CPC, a commodity index,
alphabetical as well as systematical, needs to be prepared. Concerning the
part dealing with transportable goods, efforts will be made to do this in
conjunction with the indexes to the SITC.