

## **WORLD CUSTOMS ORGANIZATION**

### **HARMONIZED SYSTEM : PRESENT POSITION AND PLANS FOR THE FUTURE**

#### **Introduction**

The Harmonized Commodity Description and Coding System, popularly known as Harmonized System or HS, is a multipurpose goods nomenclature used as the basis for Customs tariffs and for the compilation trade statistics all over the world. The HS was developed by the World Customs Organization (WCO) and was implemented on 1 January 1988 by an international Convention (HS Convention), which came into force on 1 January 1988. The HS is maintained by the WCO through the Harmonized System Committee, which is composed of representatives of Contracting Parties to the HS Convention (97 countries and Customs or Economic Unions as of February 1999).

#### **Application**

The HS serves as a universal language and code for transportable goods in international trade. About 170 countries and economies use it for Customs tariffs and trade statistics (over 98 % of world trade). Governments, international organizations and the private sector use the HS for many other purposes such as internal taxes, trade policies, monitoring of controlled goods, rules of origin, freight tariffs, transport statistics, quota controls, economic research and analysis. The UN Economic Commission for Europe (CEFACT) is currently considering a Recommendation addressed to governments and businesses to mutually promote and support the Harmonized System as a single method of coding goods for transport purposes

The UN Statistical Commission has adopted HS as the core classification for goods. All major goods classification systems are correlated to the HS (SITC, CPC, ISIC). The HS is an important basis for the UNSD electronic trade database (COMTRADE).

#### **Maintenance**

The WCO has been continuously monitoring the application of the HS to achieve the greatest measure of certainty and uniformity in classification of goods. The Harmonized System Explanatory Notes prepared by the Harmonized System Committee constitute the official interpretation of the HS. The HS Committee, which meets twice a year, also resolves a number of classification questions and disputes. These decisions are published for information of HS users. They are now available on the Internet via the WCO Web site ([www.wcoomd.org](http://www.wcoomd.org)).

The HS Commodity DataBase, which is an electronic database on CD-ROM published by the WCO, provides the HS classification of about 200,000 commodities commonly traded. It also incorporates the entire HS Explanatory Notes with full search and retrieval facilities.

The WCO has also developed a model for classification infrastructure and procedures to assist the developing countries in interpreting and applying the HS uniformly. Other technical assistance programmes undertaken by the WCO include the organization of training courses and seminars, providing technical expertise regarding the implementation of the HS and the establishment of Customs

laboratories.

A number of Recommendations have been adopted by the WCO to encourage the widest possible use of the HS and its uniform application by all users. These include pre-entry classification information programmes, recommended standard units of quantity for all HS codes, and reporting trade data in terms of the HS to the UNSD.

### **Updating**

The HS is periodically updated in light of developments in technology, changes in trade patterns and the needs of users. This is prepared in the form of amendments to the HS Convention adopted by the Contracting Parties. All Contracting Parties are obliged to implement the amendments on the date scheduled for their coming into force.

The HS has been amended twice. The first amendment occurred in 1992 and consisted mainly of editorial amendments. The second amendment came into force on 1 January 1996. It incorporated substantial changes affecting about ten percent of the nomenclature. The 1996 version of the HS is currently in force.

Another major review of the HS is currently in progress. The HS Review Sub-Committee composed of experts from national administrations and international organizations carries out this work. The UNSD is represented on the Review Sub-Committee. The HS Committee will prepare a Recommendation to the Contracting Parties incorporating the new HS amendments in May 1999 for adoption by the WCO Council in June 1999. The recommended amendments will be implemented on 1 January 2002.

The HS amendments adopted to date for implementation in 2002 fall into three categories: (i) the separate identification of goods of environmental and social concern, (ii) amendments to reflect new technology and trade patterns, (iii) editorial amendments to clarify texts. The basis adopted for creating new HS codes is a minimum trade volume of 20 million US dollars. However, exceptions are made for goods of environmental or social importance. The existing HS codes are also reviewed on the basis of trade volume to delete those that are obsolete.

About 200 amendments have been provisionally adopted so far for the next (2002) version of the HS. The bulk of the amendments relate to new codes to facilitate the monitoring of goods of environmental or social concern, controlled by various international Conventions (e.g., hazardous wastes of the Basel Convention, endangered species of the CITES Convention, ozone depleting substances of the Montreal Protocol).

New codes for various information technology products are a major area covered under the second category. Two UNSD proposals concerning petroleum oils and computer software are actively under consideration by the Review Sub-Committee.

The full text of amendments approved by the HS Contracting Parties will become available in January 2000.