F. Country experiences in the use of HS

In this section

Benefits and challenges associated with the use of the HS

13.22. The HS has been in use since 1988. During this period, both benefits and challenges associated with its use became apparent. Compilers should be aware of them in order to enjoy the benefits to the maximum extent possible, while properly dealing with the challenges presented by its application, e. g., through the use of other classifications more suitable for particular needs (see chap. XXVII).

13.23. *Benefits of using the HS.* The HS is the only commodity classification recommended by the United Nations Statistical Commission for the collection and compilation of international merchandise trade statistics. It is also widely used for dissemination and analysis of these statistics for the following reasons:

(a) The HS encompasses a legal text and extensive explanatory notes which ensure the maximum possible uniformity in the interpretation of the definitions of commodity groups, thus creating a universal language applicable both in commercial practice and in trade negotiations;

(b) The HS enables international comparability of trade statistics at the six-digit level, facilitating detailed analysis of international trade and its role in the globalization of national economies;[11]

(c) The universal application of the HS allows the conduct of effective trade data reconciliation studies;

(d) As the HS contains detailed descriptions of commodities, its headings and sub-headings can be used as the building blocks of other product classifications;

(e) The HS Convention allows each country to introduce its own level of statistical detail beyond the six-digit level, thus providing the necessary flexibility in accommodating national needs;

(f) The establishment of data conversions from the HS to other classification and its widespread use in data collection allow information for various purposes to be easily provided (see chap. XXVII).

13.24. *Challenges in the implementation and use of the HS.* The most frequently cited challenges in the use of the HS include the following:

(a) The HS is relatively complex and difficult to implement without very extensive training, e.g., so as to avoid serious classification errors. Also, the HS Explanatory Notes, which are critical for classification guidance, are not cost-free, which may reduce the extent of their use by trade analysts;

(b) The HS does not provide stand-alone descriptors of its six-digit codes which can be used as metadata in trade statistics databases and publications; this leads to duplicative work, as many countries and international organizations develop such descriptors (see box XIII.10);[12]

(c) Definition of commodity groups in the HS is not always satisfactory for economic analysis, and it is therefore necessary to develop various analytical classifications (see chap. XXVII);

(d) Commodities are not always classified in such a way as to reflect countries circumstances and statistical priorities, particularly at the most detailed levels of classification. Many countries further divide HS subheadings to provide the detail required for tariff and statistical purposes; sometimes, countries use alternative groupings for certain commodities which better suit their analytical needs;

(e) As part of the application of the HS, WCO recommends the use of certain standard units of quantity for the six-digit HS level (see chap. XV for details). However, the recommended units of quantity are not always indicative of the quantity units used in industry practices (they might be different across countries), which in certain cases creates additional difficulties in HS implementation and analytical use;[13]

(f) Frequent revisions of the HS result in the discontinuation or merging of some codes every five years. This causes breaks in time series needed for analytical purposes.

13.25. It is recognized that, to a large degree, most of the challenges listed above are inherent and unavoidable in any multipurpose international commodity classification. Countries are advised to build upon the strengths of the HS while minimizing it weaknesses, e.g., by providing more detailed commodity breakdowns beyond the six-digit HS-level. Also, it is good practice to use other product classifications such as the Standard International Trade Classification (SITC), the Central Product Classification (CPC), and the Classification by Broad Economic Categories (BEC), as well as the International Standard Industrial Classification of All Economic Activities (ISIC), as applicable (see chap. XXVII for details).

Box XIII.9

European Union experience in the development and use of the Combined Nomenclature

The Combined Nomenclature (CN) was established by Council Regulation (EEC) No. 2658/87 of 23 July 1987 on the tariff and statistical nomenclature and on the Common Customs Tariff. It ensures that requirements of the Common Customs Tariff, and the external trade statistics, as well as other EU policies concerning the importation or exportation of goods, are met at one and the same time.

The CN is a further breakdown of the Harmonized System which introduces eight-digit codes below the six-digit level of HS. These eight-digit codes are referred to as “CN subheadings”, and are created in those cases where a corresponding rate of duty is specified. When a HS heading or subheading is not further subdivided for European Union purposes, the seventh and eighth digits are ‘00'.

The CN comprises also preliminary provisions, as well as additional section or chapter notes and footnotes relating to CN subheadings.

The Combined Nomenclature is reproduced in Annex I of the above mentioned Council Regulation. The rates of duty of the Common Customs Tariff and, where applicable, the supplementary statistical units, as well as other necessary information, are laid down in that Annex.

The CN codes as well as the supplementary units are revised on an annual basis, amending Annex I through a Commission Regulation reproducing the complete version of the CN. As a result, CN codes are created, deleted or merged in order to:

- Take into account changes in requirements relating to statistics or to commercial policy
- Take into account technological or commercial developments
- Align or clarify texts
- Introduce the changes of the HS

The said Commission Regulation shall be published not later than 31 October in the *Official Journal of the European Union* and it shall apply from 1 January of the following year.

To assist in classifying commodities, CN Explanatory Notes are produced on an adhoc basis, although they are not legally binding.

Box XIII.10

Stand-alone commodity descriptors: Canada

Merchandise trade data disseminated by Statistics Canada is often supplied with “stand-alone” descriptors designed to identify the commodities of a particular data series. While trade data is collected using the Harmonized System (HS), the HS descriptors are not always suitable for publication purposes. The length of the legal HS descriptors and the use of “Other” or “Other–Other” often do not provide meaningful labels for disseminated data. For example, the Canadian Customs Tariff contains the following descriptors:

- Reception apparatus for television, whether or not incorporating radio-broadcast receivers or sound or video recording or reproducing apparatus:

8528.72 - - Other, colour

8528.72.20.00 - - - Incomplete or unfinished television receivers, including assemblies for television receivers consisting of video intermediate (IF) amplifying and detecting systems, video processing and amplification systems, synchronizing and deflection circuitry, tuners and tuner control systems, and audio detection and amplification systems plus a power supply, but not incorporating a cathode-ray tube, flat panel screen or similar display.

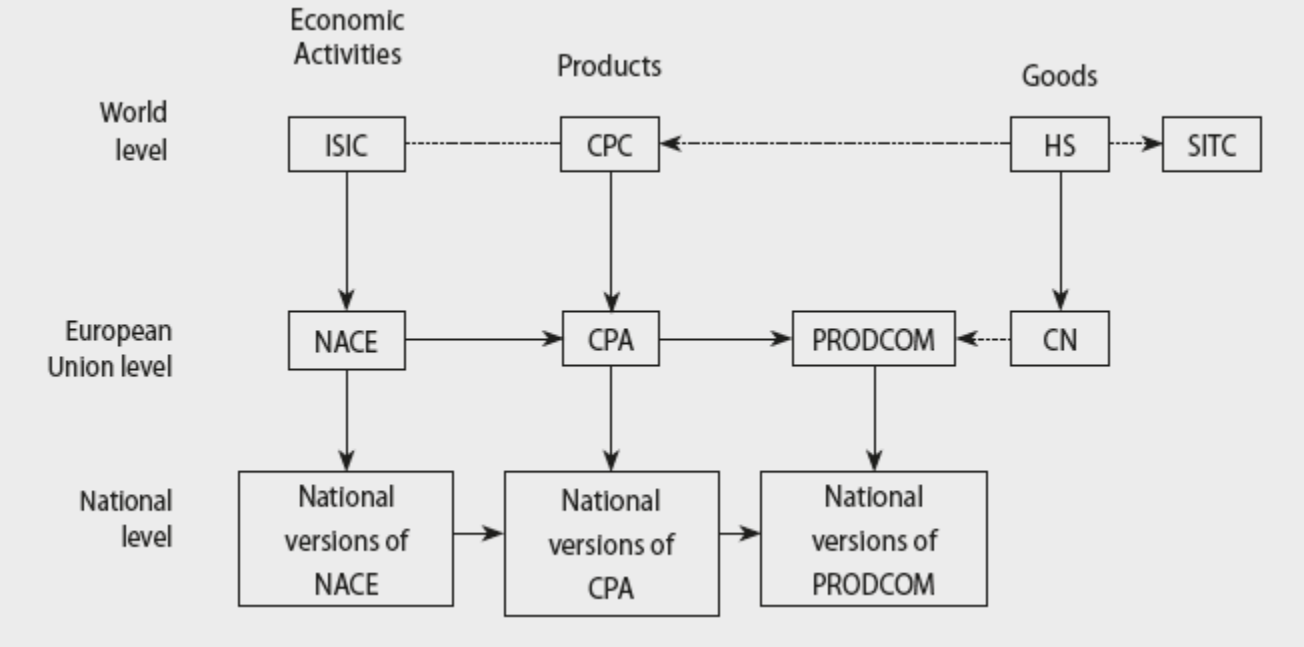
This has been shortened, through the use of a Statistics Canada stand-alone descriptor, to “Television receivers, colour, incomplete or unfinished”.

Data users are advised that these stand-alone descriptors are for dissemination purposes only and have no legal standing. While they are not as precise as the legal descriptors, they do enable an easier understanding of the basic data series.

Box XIII.11

Relationship between HS, the European Union Combined Nomenclature and other international classifications relevant to trade statistics

The following schema illustrates how various international, European and national classifications relevant to trade statistics relate to each other. Each arrow indicates a relationship between a reference classification and a derived classification (to which it points). Solid arrows indicate classifications linked by structure. Dotted arrows and lines indicate classifications linked through conversion tables.



Abbreviations:

ISIC: International Standard Industrial Classification of all Economic Activities
NACE: Statistical Classification of Economic Activities in the European Community
CPC: Central Product Classification
CPA: Classification of Products by Activity
HS: Harmonized Commodity Description and Coding System
CN: Combined Nomenclature
SITC: Standard International Trade Classification
PRODCOM: Classification of goods used for collection and dissemination of statistics on industrial production in the European Union.

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[11] In this connection, it should be stressed that countries should avoid the use of simplified classification decisions as much as possible even if certain customs procedures and thresholds allow this.

[12] Countries are advised to consult the WCO website for additional materials on such descriptors.

[13] For example, natural gas traders work in British thermal units (BTUs), rather than in cubic metres (m^3). This is also particularly true in the textiles area.