

**INTERIM REPORT ON THE HARMONIZED  
COMMODITY DESCRIPTION AND  
CODING SYSTEM**



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# UNITED STATES INTERNATIONAL TRADE COMMISSION

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## INTRODUCTION

This report to both Houses of the Congress and to the President has been prepared in connection with United States International Trade Commission's investigation No. 332-73, initiated on January 31, 1975 (40 F.R. 6239) in accordance with section 608(c) of the Trade Act of 1974 (Public Law 93-618, approved Jan. 3, 1975). In part, section 608(c) directs the Commission to undertake an investigation under section 332(g) of the Tariff Act of 1930 (19 U.S.C. 1332(g)), which would provide the basis for--

(2) full and immediate participation by the United States International Trade Commission in the United States contribution to technical work of the Harmonized Systems [sic] Committee under the Customs Cooperation Council to assure the recognition of the needs of the United States business community in the development of a Harmonized Code reflecting sound principles of commodity identification and specification and modern producing methods and trading practices.

Under the law, the Commission is directed to report to the Congress and the President as it deems appropriate. Although the technical work on the Harmonized System has not yet been completed, the Commission considers it appropriate to submit a report outlining the progress on this project because of policy-level discussions now going on concerning questions of the implementation and use of the system. The report is not intended to discuss the numerous technical details involved in the development of the Harmonized System, but rather addresses the background of this project and a number of its policy implications. When the Harmonized System is completed, the Commission will forward its final report to the Congress and the President.

## EXECUTIVE SUMMARY

The Harmonized Commodity Description and Coding System, which is the subject of this interim report, is a commodity classification system being developed under the auspices of the Customs Cooperation Council.

The system would comprise a "core" product nomenclature, based upon the Customs Cooperation Council Nomenclature, which could serve as the basis for customs tariffs and the foreign-trade statistical systems of the United States and its trading partners.

Development of the technical work on the system has been going on since late 1973 and will likely be completed by the end of 1981. The United States technical input began in earnest in 1975 with the passage of the Trade Act of 1974 requiring full and immediate participation by the Commission. Since that time the Commission staff along with representatives from other interested agencies, particularly the Bureau of the Census, the Customs Service and the Department of Agriculture, have worked closely with industry representatives in developing proposals in connection with the Harmonized System.

Among the key policy issues remaining to be decided are the legal form of implementation of the system, how the system will be maintained and administered at the international level, and whether both customs and economic unions and their member states should be allowed to participate fully in the maintenance of the system.

Finally, the report outlines the benefits of the adoption of an international harmonized system, including the potential benefits for export development, and the costs of such adoption.

## PART 1. BACKGROUND OF THE HARMONIZED SYSTEM

### The Customs Cooperation Council

The Customs Cooperation Council (CCC), which is developing the Harmonized System, was established by a convention signed in Brussels, Belgium, on December 15, 1950. The convention entered into force on November 4, 1952, and is presently in force with respect to 88 countries. The United States became a member of the CCC by deposit of the necessary instruments on November 5, 1970, and is represented at the CCC by the U.S. Customs Service.

The Council is an international technical body which studies and attempts to resolve customs problems. Its purpose is to improve and harmonize customs operations, thus facilitating the development of international trade. The CCC has developed into an international organization of worldwide scope and influence from limited European origins. Under its convention the Council is required to--

- (1) Make recommendations to insure the uniform interpretation and application of the two other conventions (on customs nomenclature and valuation);
- (2) Perform such functions as may be expressly assigned to it in those conventions; and
- (3) Act in a conciliatory capacity in any disputes which may arise in this respect.

Apart from these particular functions, the Council has the more general task of--

- (1) Studying all questions relating to cooperation in customs matters which the contracting parties agree to promote;
- (2) Examining the technical aspects of customs systems with a view to proposing practical means of attaining the highest possible degree of harmony and uniformity;

- (3) Preparing draft conventions and recommendations for this purpose;
- (4) Circulating information regarding customs procedures;
- (5) Furnishing information or advice to member states; and
- (6) Cooperating with other international organizations.

As noted above, the CCC is responsible for the Convention on Nomenclature for the Classification of Goods in Customs Tariffs (formerly known as the Brussels Tariff Nomenclature (or BTN) and now referred to as the Customs Cooperation Council Nomenclature (or CCCN)) and the Convention on the Valuation of Goods for Customs Purposes (or BDV). 1/ These conventions have received widespread international use as the basis for the classification and valuation of articles for customs duty purposes, with 135 countries applying the CCCN and more than 100 countries basing their valuation system on the BDV as of 1978. 2/ Under the respective terms of the nomenclature and valuation conventions (also signed in Brussels on December 15, 1950), a Nomenclature Committee and a Valuation Committee were established within the CCC to administer the responsibilities of the Council in these areas.

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1/ The United States is not a signatory to either of these conventions.

2/ In the area of customs valuation, it is expected that the CCC will be going through a period of transition over the next several years as a result of the new valuation code which was agreed to at the recently completed General Agreement on Tariffs and Trade (GATT) negotiations in Geneva. This code will become effective on Jan. 1, 1981, for most of the world's developed countries. The United States and the member states of the European Communities bilaterally agreed to implement the provisions of the new code on July 1, 1980. The code provides for the establishment of a Technical Committee on Customs Valuation, under the auspices of the CCC, to provide technical assistance in the administration of the code. Each of the signatories to the valuation code which had been applying the BDV has notified the CCC Secretariat of their denunciation of, and withdrawal from, the BDV. It is expected that an effort will be made over the next several years within the CCC to drop the BDV entirely and substitute the new valuation code in lieu thereof.



In addition to these duties, the Council has done extensive work in the field of customs technique, under the direction of its Permanent Technical Committee (PTC). The major accomplishment of the PTC has been the Kyoto Convention, which is an international convention on the simplification and harmonization of customs procedures. The Kyoto Convention and its 30 annexes cover all the major facets of customs operations, including passenger clearance and the processing of commercial imports and exports. Currently, the convention and 14 of the annexes have entered into force. We understand the Department of the Treasury plans to submit the convention and 20 of the 30 annexes to the Senate for ratification early in 1981.

The fourth major area of Council effort has been the development of a harmonized commodity description and coding system for international trade, under the direction of the Harmonized System Committee (HSC).

#### The Harmonized System Committee

##### Background

In 1970 a number of countries and organizations, both national and international, became increasingly concerned about the problems stemming from the lack of an internationally accepted commodity description and coding system. At that time representatives from the CCC discussed the problem with a number of other international organizations, and at a meeting of the United Nations Economic Commission for Europe it was recommended that the CCC should sponsor a study on the feasibility of developing a harmonized commodity description and coding system.

In undertaking the project in 1971, the CCC established a Study Group for the Development of a Harmonized Commodity Description and Coding System for

International Trade. Because of the significance of this work to a wide range of interests involved in international trade, the CCC offered the opportunity of participating to a number of international organizations and to certain countries which were not members of the CCC at the time. The following is a list of the participants in the Study Group:

Countries and Groups of Countries

Austria	Italy
Belgium	Japan
Canada	Republic of Korea
Czechoslovakia	Malaysia
Denmark	Netherlands
European Communities	Sweden
France	United Kingdom
West Germany	United States
Hungary	

Intergovernmental Organizations

General Agreement on Tariffs and Trade (GATT)  
 United Nations Statistical Office (UNSO)  
 Economic Commission for Europe (ECE)  
 United Nations Conference on Trade and Development (UNCTAD)  
 Customs Cooperation Council (CCC)  
 Organization for Economic Cooperation and Development (OECD)  
 Food and Agriculture Organization of the United Nations (FAO)  
 North Atlantic Treaty Organization (NATO)

International Nongovernmental Organizations

International Cargo Handling Coordination Association (ICHCA)  
 International Air Transport Association (IATA)  
 International Chamber of Commerce (ICC)  
 International Chamber of Shipping (ICS)  
 International Federation of Forwarding Agents' Associations (FIATA)  
 International Organization for Standardization (ISO)  
 International Union of Railways (UIC)  
 International Road Transport Union (IRU)  
 World Trade Centers Association (WTCA)

National Organizations

Simplification of International Trade Procedures Board (SITPRO)  
 (United Kingdom)  
 National Committee on International Trade Documentation (NCITD)  
 (United States)  
 Transportation Data Coordinating Committee (TDCC) (United States)

The report of the Study Group was made to the CCC in March 1973 and was accepted in June 1973.

Pertinent parts of the summary of the report are as follows:

- (a) The development of a harmonized commodity description and coding system is not only feasible but is essential in the longer term interests of the facilitation of international trade.
- (b) The system should be developed from the BTN and SITC (Brussels Tariff Nomenclature and Standard International Trade Classification (Revised)). However, the work done to date demonstrates a need for some changes in the BTN and the SITC to bring them in step with current trade conditions and it will be advisable to modify some parts of the BTN to facilitate establishment of the harmonized commodity description and coding system. Of course, after the system has been developed, steps should be taken to ensure that it will be revised as necessary to keep it in harmony with subsequent revisions of the BTN and the SITC.
- (c) The BTN should constitute the core of the Harmonized System. It should continue to be maintained under the provisions of the current Convention as a separate 4-digit entity. The more detailed descriptions and codes required for the Harmonized System would be issued as a supplement to the BTN, not under the formal Convention but for example as a Customs Cooperation Council Recommended Standard.
- (d) In developing the system, account should be taken of existing nomenclatures and commodity description systems which are primarily representative of customs, statistical and transport requirements. Those listed at Annex C 1/ should continue to provide the main source material but other systems may be taken into account as appropriate.

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1/ The list of basic description and coding systems is contained in app. B.

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- (f) The system should be developed under the auspices of the Customs Cooperaton Council but an international/inter-organizational body should be maintained in existence throughout the development period to ensure that the needs of all the interests involved are fully taken into account and to plan the implementation of the Harmonized System.
- (g) The costs of developing the system should, in principle, be a charge on the Customs Cooperation Council budget. 1/

The approval by the Council of the Study Group's report was followed by the establishment of the Harmonized System Committee, which was charged with the responsibility of developing the system. The members of the Harmonized System Committee and observers were as follows:

Members participating in 1978 and 1979

Australia	Commission of the European Communities
Canada	European Trade Promotion Organization
Czechoslovakia	General Agreement on Tariffs and Trade
France	International Air Transport Association
India	International Chamber of Shipping
Japan	International Organization for Standardization
United Kingdom	International Union of Railways
United States	United Nations Statistical Office

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1/ Customs Cooperation Council, Report to the Customs Cooperation Council of the Study Group for the Development of a Harmonized Commodity Description and Coding System for International Trade, CCC Doc. No. 19.513, 1973.

Observers participating in 1978 and 1979

Algeria	Nigeria
Austria	Norway
Belgium	Pakistan
Denmark	Senegal
Finland	South Africa
West Germany	Spain
Israel	Sweden
Italy	Switzerland
Ivory Coast	Trinidad and Tobago
Kenya	Tunisia
Korea	FIATA
Malaysia	International Chamber of Commerce
Netherlands	SITPRO
New Zealand	UNCTAD

Working methods

A technical team working under the auspices of the CCC has prepared drafts of the various chapters of the Harmonized System for consideration by the Harmonized System Committee. These drafts have been forwarded to the members and observers of the Committee for their review and the submission of written comments. The Committee meets three times a year to consider these drafts and the written comments and presentations of the various delegations to the Committee. The review of a particular chapter or group of chapters may extend to more than one meeting.

Generally, the consideration of each chapter proceeds from a discussion of the Technical Team's draft. In the course of its deliberations the Committee discusses the proposed product scope and article description of each heading and subheading, considers each submitted comment, and makes decisions by votes of the delegations. During the course of its work, the Committee may decide to propose modifications to the CCCN to accommodate the needs of potential users of the system. When in working session, the Committee has adopted the practice of permitting observer delegations to vote.

After a chapter has been considered by the HSC, it is referred to the Nomenclature Committee. That Committee reviews the draft and prepares legal notes and any modifications to the draft it deems appropriate.

The review by the Nomenclature Committee concludes the initial phase of the project and results in the provisional adoption of the chapters of the Harmonized System.

Appendix C identifies those chapters which had been provisionally adopted as of September 30, 1980. In June 1981 the first stage of the final review process will be initiated, covering chapters 1 through 49. Chapters 50 through 99 will be reviewed during the fall 1981 session.

## PART 2. DESCRIPTION OF THE HARMONIZED SYSTEM

When the Customs Cooperation Council accepted the Study Group's report, it accepted the recommendation that the general structure of the CCCN would become the basis for the expanded Harmonized System, with substantial modification required in order to bring it into step with current trade conditions.

### General Structure of the CCCN

The CCCN comprises 1,011 product descriptions or headings arranged into 99 chapters, which are themselves grouped in 21 sections. The legal text of the nomenclature consists of--

- (1) The Rules for the Interpretation of the Nomenclature,
- (2) The legal notes to the sections and chapters, and
- (3) The headings of the nomenclature.

In addition, the nonlegal Explanatory Notes and Classification Opinions complement the CCCN.

### Rules for the Interpretation of the Nomenclature

Since the CCCN is used for customs purposes (i.e., for assessing duty), it is essential that each product be classified in only one heading. Thus, the CCCN begins by laying down the basic rules of classification in order to insure correct legal interpretation at all times.

Interpretative rule 1 takes precedence over the following rules and provides that classification shall be based on the terms of the heading descriptions and on any relevant section or chapter notes. When the heading description and relevant legal notes cannot themselves determine the appropriate heading with certainty, then rules 2 to 4 should be applied.

Rule 2 provides procedures for classifying products which are (a) incomplete or unfinished or (b) composed of mixtures or combinations of materials or substances.

Rule 3 provides procedures governing the classification of products which are prima facie classifiable under two or more headings. Rule 3 requires that these articles be classified--

- (1) In the heading which provides the most specific description;  
or
- (2) In the heading applicable to the material or component which gives the articles their essential character; or
- (3) Under the heading which occurs latest.

These classification criteria must be applied in the order in which they are set out.

Rule 4, which is infrequently used, provides that articles which are not covered by any heading of the nomenclature shall be classified in the heading appropriate to the products to which they are most akin.

#### Section and chapter notes

Many of the sections and chapters into which the CCCN headings are grouped commence with legal notes, which, like the interpretative rules, form an integral part of the CCCN and which have the same legal force as the headings themselves. They are referred to as legal notes to distinguish them from the Explanatory Notes, which are not legally binding. Their function is to help define the scope of headings or direct the classification of products in particular chapters, headings, or sections.



Examples of the types of legal notes that have been employed are--

- (1) General definitions delimiting the scope of a heading or the meaning of particular terms;
- (2) Exhaustive lists of the articles covered by a heading or group of headings; and
- (3) Lists of excluded articles.

It would have been possible in many cases to incorporate the substance of these notes in the text of the headings themselves. However, this would have greatly lengthened the headings, making them difficult to understand, and would have involved a great deal of repetition. The legal notes have made it possible to draft the headings in concise form while at the same time safeguarding the precision and exactness of interpretation which are essential to avoid doubts and disputes in classification.

### Headings

As previously mentioned, the headings of the nomenclature are arranged in chapters, which are themselves grouped in sections. Under Interpretative Rule 1 the chapter and section titles are not legally binding, but are provided for ease of reference only. In addition, some chapters are further divided into subchapters for organizational purposes. Each heading in the nomenclature is identified by a four-digit number, of which the first two digits represent the chapter in which the heading appears and the second two indicate its position in that chapter.

For the most part, an attempt has been made to keep the CCCN organized according to levels of processing such that primary products are classified in early headings and end products in later headings. For example, sections 1 to 4 are devoted to agricultural products, and machinery and most manufactured

goods are classified in the later sections. Even within a chapter an attempt has been made to put headings containing articles requiring higher levels of processing later in the chapter. For example, chapter 7, which covers edible vegetables, begins with the primary product in fresh or chilled form, followed by the frozen product and, finally, the dried product.

Each heading of the CCCN is aligned to an SITC provision. Although there is not a one-to-one correlation between each CCCN heading and SITC provision, the product descriptions of the two systems are compatible to the extent that they can be aligned by aggregating certain provisions.

#### Explanatory Notes

The Explanatory Notes do not form part of the nomenclature convention, but they constitute the official interpretation of the nomenclature as approved by the Customs Cooperation Council. First published in July 1955, these notes were revised and reissued in looseleaf form in 1966 and have been amended biannually since then. They follow the systematic order of the nomenclature and provide a full commentary on the scope of each heading, giving a list of the main products included and excluded, together with appropriate technical descriptions of the goods concerned and their appearance, properties, methods of production and uses, and practical guidance for their identification. The Explanatory Notes are an indispensable complement to the CCCN, useful in ascertaining the correct interpretation of the nomenclature itself.

### Structure of the Harmonized System

The Harmonized System is, in effect, a two-tiered hierarchical expansion of the headings of the modified CCCN. The entire system consists of the CCCN and the further product subdivisions commonly called the Structured Nomenclature. The numbering of each article provision is expressed as a six-digit number consisting of the four-digit CCCN number followed by a two-digit suffix representing the Structured Nomenclature. When completed, it is expected that the Harmonized System will consist of approximately 1,250 main headings, 2,500 initial product subdivisions, and 4,000 to 5,000 initial and secondary subdivisions.

In developing this hierarchical system, the following nomenclature principles have been observed:

- (1) A heading cannot be enlarged by a subheading;
- (2) Subheadings must exhaust superior headings; and
- (3) At equivalent levels in the hierarchy, subheadings must be mutually exclusive.

The following is an example of the hierarchical system and numerical designations used in the Harmonized System:

- 07.21    Vegetables (whether or not cooked by steaming or by boiling in water), frozen.
- 0721.10   - Potatoes
- Leguminous vegetables, shelled or unshelled:
- 0721.21    -- Peas (Pisum sativum)
- 0721.25    -- Beans (Phaseolus sp.p.; Vigna mungo (Willd.), Vigna angularis (Willd.))
- 0721.29    -- Other
- 0721.30   - Spinach, New Zealand spinach and orache spinach (garden spinach)
- 0721.40   - Other vegetables
- 0721.90   - Mixtures of vegetables.

As the example shows, the Structured Nomenclature can be broken down into two tiers of subdivisions. A subheading at the first tier which is further subdivided will not have a corresponding item number (e.g., leguminous vegetables). Second-tier subdivisions will, of course, have their own subheading number. A first-tier subheading not further subdivided will also have a unique item number, the last digit of which will be zero (potatoes, spinach, and so forth).

This system is capable of being further subdivided for national tariff or statistical purposes. However, individual countries will have to observe the hierarchical system and proper nomenclature principles referred to above. In addition, countries using the CCCN will be urged not to use the numbering arrangement of the Harmonized System where they do not adopt the Structured Nomenclature.

Where necessary, the Harmonized System, like the four-digit CCCN, will have its own set of legal notes that will conform to the format of the section and chapter notes of the CCCN. Similarly, explanatory notes will be provided for the Structured Nomenclature of the Harmonized System. In all cases, the legal notes and explanatory notes will be compatible extensions of those of the CCCN and are not designed to replace them.

#### Status of the Harmonized System

As of this date, approximately 90 percent of the chapters of the Harmonized System have been reviewed by the Harmonized System Committee, with only six textile chapters, two steel chapters, and a chapter dealing with miscellaneous metal products yet to be considered. The schedule of the HSC calls for completing these remaining chapters before the spring of 1981. Two subsequent

meetings are then scheduled for 1981 to review the entire system for technical accuracy. After final review, the chapters will be submitted to the Nomenclature Committee for review during the late 1981 and early 1982 sessions. It is expected that the entire package, including explanatory notes, will be submitted to the Council at its June 1983 session. It is further expected that the Harmonized System will be implemented internationally on January 1, 1985, thus leaving approximately 1-1/2 years for countries to study and convert their current trade nomenclatures to the new system and then to enter into and complete negotiations under article XXVIII of the GATT modifying their schedules of trade-agreement concessions.

#### Outstanding Issues

In addition to the small number of chapters that are yet to be completed by the Harmonized System Committee, several issues regarding the legal status of the Harmonized System remain unresolved at this time.

#### Form of implementation at the international level

The customs administrations represented in the CCC and the HSC contemplated from the beginning of the project that the Harmonized System would be implemented as an amendment to the current four-digit CCCN convention complemented by a nonbinding recommendation to adopt the Structured Nomenclature.

The report of the Study Group stated:

The harmonized system will be based on current and future correlated versions of the BTN and SITC. The BTN would continue to be maintained under the provisions of the current Convention as a separate 4-digit entity. The more detailed descriptions and codes required for the harmonized system, i.e., those to 6-digit level, would be issued as a supplement to the BTN, not under the formal Convention but for example as a Customs Cooperation Council Recommended Standard.

This view was confirmed by a majority of the delegations at the 21st Session of the HSC in May-June 1980, when the question was last discussed. At the request of the U.S. delegation, a formal decision by the Council was postponed at the June 1980 Council session. Thus, a final decision on the method of implementing the Harmonized System will not be taken prior to June 1981.

One of the options being considered is implementing the Harmonized System as a new convention at the six-digit level of detail. Since there is international consensus for a convention at least at the four-digit level, the issue is whether the appropriate international instrument for implementing the Structured Nomenclature should be a formal convention or a nonbinding recommendation. There are advantages and disadvantages to either solution. The advantages of a convention may be summarized as follows:

- (1) It would be a legally binding instrument which would clearly identify the nature and extent of the required commitment;
- (2) All contracting parties would be identically obligated to use the entire system, thus eliminating the risk of one contracting party's using the system to a lesser extent than any other contracting party;
- (3) It would assure statistical comparability among the contracting parties at the agreed level of product detail.

The disadvantages are that--

- (1) There would be fewer users because of (a) the difficulties many countries would have in making a formal commitment to a convention, and (b) the limited interest by many countries in detailed product categories;
- (2) Updating would be more difficult because of the requirements for amending conventions;
- (3) Implementation would be delayed because conventions do not usually enter into force until a fixed number of countries have become contracting parties.

The advantages of a recommendation are as follows:

- (1) It could be updated more easily than a convention; and
- (2) It could be upgraded to convention status after a few years use, during which unanticipated problems could be worked out and the degree of international acceptance would be determined.

The disadvantages are that--

- (1) It represents only a "pious" hope of acceptance; i.e., there is no incentive to follow it since doing so would confer no rights;
- (2) It does not recognize the need for reciprocal commitment;
- (3) It is not binding on users;
- (4) There would be no assurance of statistical comparability; and
- (5) Nonuniform application is more likely than with a convention.

#### Administration and maintenance

The question of how the Harmonized System will be administered and maintained after implementation is a very important issue deserving special attention. Normally, the CCC establishes committees of the signatories to administer and maintain its conventions and recommendations. However, until a decision is made as to whether the Harmonized System will be implemented as a convention or as a convention/recommendation, the question of administration and maintenance must remain open.

The Nomenclature Committee will continue to exist to maintain the CCCN as long as there are at least seven contracting parties to that convention. However, if there is a new Harmonized System convention to replace the nomenclature convention, it would appear that the new convention should be

maintained by a new Harmonized System Committee established by the CCC for this purpose. If the Harmonized System is implemented as a convention/recommendation, it is contemplated that the four-digit CCCN would continue to be administered by the Nomenclature Committee while the Structured Nomenclature would be maintained by a new committee established for that purpose.

In addition, there is a question as to the terms of reference in the administration and maintenance of the Harmonized System. It is intended to serve both customs and statistical needs, and the committee or committees established will need to insure both uniformity and modernization.

Membership.--The Harmonized System Committee would presumably be open to all user countries. At issue is the status of customs and economic unions and of those present members of the HSC which are neither countries nor customs and economic unions (the UNSO, IATA, GATT, and so forth). In recent years, a number of international conventions have been open to customs and economic unions as well as to governments. For example, the recently concluded GATT valuation agreement has the European Communities (EC) as a contracting party. Moreover, two recent CCC conventions have contained provisions enabling the EC to become a contracting party but without the right to vote.

Under normal circumstances, conventions and recommendations of the CCC are restricted to acceptance by countries and customs and economic unions. If this principle is maintained, those present members of the HSC which are neither countries nor customs and economic unions will not be able to accede to a convention or accept a recommendation and be voting members of the Harmonized System. They could probably participate as observers in working sessions but not as full voting members in the committee.



Voting rights.--A persistent problem for the United States in the Harmonized System Committee has been the fact that both the EC and its member states have voting rights and have adopted the policy of bloc voting. Multiple representation by the EC and its member states has given the EC a disproportionate amount of influence in the decisions of the Committee, and it seems difficult to justify multiple representation in what is essentially a technical international forum. Perhaps it would be preferable to restrict voting membership to those countries or customs and economic unions which have acceded to the convention or accepted a recommendation, and to preclude membership and voting rights by both a customs and economic union and its member states while allowing nongovernmental users of the system to participate in discussions without the right to vote.

Dispute settlement mechanism

Currently, when a dispute arises between two or more contracting parties to the nomenclature convention regarding the interpretation or application of the CCCN, the countries concerned are urged to reach agreement among themselves. Classification disputes which are not settled by direct negotiations are referred to the Secretariat of the Council. After appropriate examination, the Secretariat submits them to the Nomenclature Committee, which recommends appropriate solutions.

In the Harmonized System, a similar dispute settlement mechanism would probably be applied except that the appropriate committee would be that responsible for maintaining the Harmonized System.

Collapsibility

The final issue remaining unresolved concerns whether or not countries will be required to accept the Harmonized System at the six-digit level or be

able to collapse the level of detail to the first tier of subdivision. The concept of collapsibility was built into the system to facilitate adoption by developing countries, which, because of their stage of economic development and the composition of their trade, would not be willing to accept the six-digit distinctions of the Harmonized System.

## PART 3. DEVELOPMENT OF U.S. INPUT TO THE HARMONIZED SYSTEM

## Activities Prior to the Trade Act of 1974

Following U.S. accession to the Customs Cooperation Council convention in 1970, the Treasury Department established the Interagency Advisory Committee on Customs Cooperation Council Matters (IAC) in order to provide a basis for governmentwide discussion of, and input to, the activities of the U.S. delegations to the CCC. As stated in its charter, the objectives of the IAC are--

- (1) To provide for the participation of all interested United States Government agencies in the formulation of the United States positions with respect to Customs Cooperation Council matters;
- (2) To provide the United States Representative and United States Delegations to Committees of the Customs Cooperation Council with the benefit of the direction and assistance of interested Federal agencies; and
- (3) To provide a forum wherein Federal agencies may be informed of actions taken or under consideration by the Council and its member countries. 1/

Under its first 5-year charter, the basic membership of the IAC comprised the Departments of the Treasury, State, Transportation, and Commerce and the U.S. International Trade Commission (then the Tariff Commission). Other interested agencies and governmental units participated on an ad hoc basis as circumstances dictated. 2/

The IAC served as the focal point for U.S. Government activity with respect to the Harmonized System. It established policy on various issues

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1/ U.S. Department of the Treasury, Charter of the Interagency Committee on Customs Cooperation Council Matters, Reapproval of 1976, p. 2.

2/ When the charter was reapproved in 1976 for a subsequent 5-year period, the IAC's basic membership was expanded to include the Department of Agriculture, the Office of Management and Budget, and the Office of the United States Trade Representative (then the Office of the Special Representative for Trade Negotiations).

that arose and offered guidance to the U.S. delegation to the Harmonized System Committee. Until the Trade Act of 1974 provided for large-scale technical support by the Commission, much of the input to the IAC was conducted on a time-available basis by member agencies.

Before 1975 the greater part of the Commission's activities with respect to the Customs Cooperation Council centered around the preparation of a draft conversion of the Tariff Schedules of the United States (TSUS) into the format of the CCC's nomenclature, known at the time as the Brussels Tariff Nomenclature. The draft conversion, prepared pursuant to a 1972 Presidential request, was submitted in 1974 and published in 1975. 1/

The purpose of the draft conversion, as noted in the preface, was ". . . to aid in considerations relating to possible United States adherence to a uniform international customs nomenclature." However, the accompanying transmittal memorandums expressed the Commission's view that the draft conversion was far from a definitive proposal for conversion of the TSUS into the BTN format. Rather, insights gained in the drafting project pointed out certain outdated and incompatible aspects of the BTN that suggested a need for revision of that nomenclature itself in order to facilitate a possible adoption by the United States. The future course of U.S. activities with regard to the BTN was suggested by then Chairman Bedell's note that "The Customs Cooperation Council is now considering revisions to the BTN which may remedy these deficiencies and which may facilitate the establishment of a Harmonized Commodity Description and Coding System." 2/

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1/ U.S. International Trade Commission, The Tariff Schedules of the United States Converted Into the Format of the Brussels Tariff Nomenclature, April 1975.

2/ Ibid., p. 2.

### The Trade Act of 1974 and the Harmonized System

By the time the Trade Act of 1974 was under consideration by Congress, work on the Harmonized System was well under way in Brussels. The Study Group's report had been published on March 28, 1973, and the Harmonized System Committee had held its first meeting during October 8-12 of that year.

Section 608(c)(2) of the Trade Act directed the Commission to undertake an investigation which would provide for the full and immediate participation by the Commission in the U.S. contribution to the technical work of the HSC to assure the recognition of the needs of the U.S. business community in the development of a Harmonized System reflecting sound principles of commodity identification and specification and modern producing methods and trading practices. The Act thus formally established the Commission's role in the technical work of the U.S. delegation to the HSC. The Commission's work with respect to the Harmonized System (investigation No. 332-73) began with the preparation of a report on the principles underlying the formulation of an international commodity code. The report, prepared pursuant to section 608(c)(1) of the Trade Act, was released in draft form for public comment on April 24, 1975, 1/ and transmitted in final form to Congress and the President on June 2, 1975. 2/ It suggested guidelines for the preparation of U.S. comments to the Harmonized System Committee (see the following section for a fuller discussion).

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1/ U.S. International Trade Commission, The Concepts and Principles Which Should Underlie the Formulation of an International Commodity Code . . . , USITC Publication 729, 1975.

2/ U.S. House of Representatives, Concepts and Principles Which Should Underlie the Formulation of an International Commodity Code, H. Doc. No. 94-175 (94th Cong., 1st sess.), 1975.

Procedures followed in the development of U.S. input to the HSC are summarized below.

- (1) Input from HSC Technical Team. A group of experts working for the CCC drafts proposed texts for an individual chapter and forwards it to member administrations. The Commission formally announces receipt of Technical Team draft and makes copies available to the public.
- (2) Commission preparation of draft U.S. comments. Members of and observers on the Harmonized System Committee normally design their official proposals in the form of comments on the Technical Team draft. In preparation for this, the Commission's commodity experts prepare analyses of the chapter texts in consultation with government, trade, and industry sources. Based on these analyses, draft comments are released for public/Government review and response.
- (3) Public response to draft U.S. comments. Input to the project at this stage consists largely of written comments on the draft. Hearings are held when requested, and meetings between Commission staff, interested agencies, and interested individuals or trade associations are arranged in order to assist in the resolution of any conflicts that may arise.
- (4) Preparation of official U.S. comments. Following interagency review of submissions from the private sector and Government agencies, official U.S. comments are prepared for approval by the IAC and formal submission by the U.S. representative to the CCC.
- (5) Subsequent activities in preparation for HSC consideration of chapter texts. Further research may be called for in response to comments by other members and various questions that arise during HSC sessions. Research by the Commission and other interested Government agencies assists in the development of official U.S. responses and/or the establishment by the IAC of U.S. delegation positions on these issues.

Following its deliberations on a given chapter text, the HSC forwards recommended texts for the chapters to the Nomenclature Committee. That Committee, responsible for insuring international uniformity in the interpretation and application of the CCCN, reviews the recommended texts and, upon approval, returns the draft chapter to the Harmonized System Committee for its approval. The draft chapter is then held in abeyance pending final

revision sessions. Procedures for review of provisionally adopted chapters within the United States closely parallel the steps outlined above for initial review of the Technical Team drafts.

Since the institution of its investigation with respect to the Harmonized System in 1975, the Commission has been the focal point for U.S. industry participation in the technical work of the Harmonized System Committee. The Commission, along with, principally, the Bureau of the Census, the Customs Service, and the Department of Agriculture, has prepared comments on 77 chapters of the Harmonized System, the 22 other chapters already having been reviewed by the Harmonized System Committee prior to 1975.

In order to solicit and encourage U.S. industry involvement in preparing U.S. proposals, the Commission has issued 13 public notices on the initial Technical Team draft proposals requesting comment on the U.S. position and proposals regarding those drafts. Initially, the Commission held 5 hearings covering 10 chapters of the Harmonized System, but since industry participation was more useful and active at the staff level, scheduled hearings were discontinued unless specifically requested. To this end, the Commission staff to date has spent almost 33 work-years to develop U.S. proposals in cooperation with interested industry and government representatives. This work has involved literally hundreds of meetings among industry representatives, the Commission staff, and other members of the IAC. From time to time, U.S. industry representatives, particularly from such important industries as those of paper, computers, footwear, and textiles, have served on the U.S. delegation as technical advisors at meetings of the Harmonized System Committee. Industry participation in the Harmonized System is expected to continue

throughout the final review stages of its development. For the 22 chapters not previously reviewed and an additional 40 provisionally adopted chapters, the Commission has issued public notices to solicit industry comments and proposals. Public comment on these chapters will provide the basis for formulating the U.S. position at the final review sessions in 1981.

#### Standards and Guidelines for U.S. Input to the Harmonized System

In reviewing the Technical Team drafts and comments of interested parties in and outside Government, the Commission and the IAC endeavored to follow the standards and guidelines set forth in the Commission's report on the concepts and principles which should underlie the formulation of an international commodity code. The standards and guidelines were based on the recognition that an international commodity code of the sort envisaged by the CCC should serve three basic purposes:

- (1) It should be suitable for use by various countries and customs unions for determining the rights and obligations of importers and exporters as to applicable rates of duty and other import and export restrictions and controls;
- (2) it should provide the basis for collecting detailed product data regarding each country's imports, exports, and production; and
- (3) it should facilitate the preparation and processing of transportation documentation. 1/

The following excerpt from the report outlines the characteristics of an international commodity code that would meet the above purposes. These guidelines served as criteria for evaluating proposals and determining positions on issues that arose.

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1/ U.S. House of Representatives, op. cit., p. 5.



1. It should be complete

The code must comprise a complete system of product descriptions or categories covering all articles of trade. The basic core or framework must provide for the appropriate classification of every known article, as well as articles yet to be developed, under either specific or general categories.

2. It should be systematic

The overall organization of the code is of critical concern since poor organization can make it unnecessarily complex and can unduly obstruct the use of the system. To the extent practicable, the various product categories should be systematically arranged in logical sequence and each individual product category identified with its own distinctive number. The organization and the numbering system should be as simple as possible. The use of a nonconsecutive numbering system should also be employed to permit new product classes to be inserted into the system in logical sequence and to avoid undue constriction in the number of possible provisions. A detailed alphabetical index and explanatory materials should also be provided.

3. It should constitute an enforceable legal document

It follows that the core or framework of the code must be organized and formulated as an enforceable legal document capable of adaptation to reflect import and export restrictions and controls and suitable for legislative enactment, administration by customs and transport officers, and judicial review.

4. It should consist of mutually exclusive provisions which are clearly stated

Each product should be provided for in the system in one, and only one, provision. Duplicative and overlapping product categories, although sometimes unavoidable, greatly complicate interpretation and should be kept to a necessary minimum and, then, with their classification priorities clearly expressed. In addition, the wording of the product categories and of the system or organizational framework within which they are set should be plain, clear, and unambiguous so as to insure the prompt classification of merchandise with reasonable certainty and predictability.

5. It should be capable of uniform application

The adoption of the code by a number of nations and organizations would render it a document of significant commercial importance. It is important therefore that it be

capable of uniform application. To the extent practicable, articles should be properly classifiable within the system by reference to their intrinsic characteristics, without reliance upon extrinsic factors such as subsequent or intended use or the process of manufacture. In addition, the system should avoid the use of rules of interpretation which are not susceptible of uniform application and which thereby cannot yield uniformity of result.

6. It should conform to the realities of trade

The product distinctions explicitly or implicitly recognized in the system and the product definitions contained therein should be compatible with and reflect accepted international trade practices of product differentiation.

It is important in this respect to note that the objective of a single nomenclature for trade and transport purposes is a means to an end and not an end in itself. Its primary purpose is to improve the procedures for processing commercial transactions and to promote the collection of comparable trade information. These objectives cannot be realized solely from the universal use of the same system, for comparable but meaningless data are as useless as incomparable data. For this reason it is imperative that the code be developed as a modern system, reflective of existing and anticipated concepts of trade practice and responsive to sound principles of product definition and identification.

7. It should be simplified

Care should be taken not to complicate future administration or use by the promulgation of provisions which render the system unduly complex. In seeking the development of a complete system, consideration should be given to the ease with which classification decisions can be made.

8. It should be adaptable for individual uses

It is recognized that the needs to which the code are to respond differ depending upon (1) the specific purposes for which the system is to be applied, and (2) the requirements of the individual user. The code should, therefore, be adaptable to meet the individual requirements of potential users. 1/

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1/ U.S. House of Representatives, op. cit., p. 6.

## PART 4 BENEFITS OF AN INTERNATIONAL HARMONIZED SYSTEM

In its report on the concepts and principles which should underlie the formulation of an international commodity code, the Commission cited the need for an international commodity code and outlined the potential benefits thereof, as follows:

The use of a multitude of different systems has several important, and often costly, consequences for both national and international trade. The use of discordant national systems for collecting and reporting data on imports, exports, and domestic production and the resulting lack of comparability in international trade data seriously hamper the analysis of trade and production information by trade analysts, economists, business planners, trade negotiators, and policymakers. It has been stated that "incompatible data are useless data." <sup>1/</sup> Concordances used to achieve comparability between different codes are not an adequate substitute for the collection and reporting of data under comparable systems, particularly where comparable information is sought at a detailed level of product refinement. The difficulties associated with identifying product definitional and other differences between systems and in obtaining sufficient information to reconcile those differences make the use of concordances at their best an unreliable tool in economic analysis. These difficulties are further compounded by the fact that the various systems are ordinarily administered by different organizations or agencies with little or no opportunity for--or inclination toward--substantive coordination between them.

The multiplicity of codes for ship, plane, truck, and rail traffic, for customs tariffs, and for the collection of statistical data on trade also imposes considerable and unnecessary burdens upon traffic managers, freight forwarders, administrative officers, customs brokers, and others concerned with the planning of commercial shipments, the preparation and processing of related laws, and the enforcement of customs and related laws. The difficulties associated with the repetitive reclassification of goods are particularly acute with regard to international shipments involving intermodal transport and the transshipment of goods through the customs territory of several countries. The great number of these codes and their lack of substantive comparability make efforts at introducing cost and time efficiencies in the movement of goods difficult

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<sup>1/</sup> Wassily Leontief, "Theoretical Assumptions and Nonobserved Facts," The American Economic Review. Vol. LXI, No. 1 (March 1971), pp. 1-7.

and curtail the effective use of automated data-exchange systems for this purpose.

The benefits of an international commodity code adaptable for a number of generally compatible national and international uses may be summarized as follows:

1. The use of a single system as a base for the collection and reporting of relevant data on imports, exports, and production at the national level would--
  - (a) facilitate the publication of useful trade data;
  - (b) permit more reliable analysis of national trade information; and
  - (c) make feasible the implementation of a centralized and efficient program for the administration and authoritative and enforced interpretation of national systems.
2. The use of a single uniform commodity code adapted for national and international transport purposes could result in--
  - (a) the achievement of a substantial reduction in the costs and time spent in reclassifying goods as they move from the purview of one classification system to another, in the verification of product classifications, and in the administration, without consequent loss of effectiveness, of various classification systems; and
  - (b) the further standardization of transport documentation and the automated transmission of detailed product information by the use of a single product identification number throughout a commercial transaction.
3. The use of a single product code for international trade purposes would--
  - (a) permit the analysis of comparable international trade data;

- (b) promote a greater degree of certainty and understanding in the negotiation, application, and interpretation of trade agreements; and
- (c) relieve countries and organizations from the burdens of reporting trade data which were collected under different and discordant systems to international bodies or agencies. 1/

#### Export Protection and Expansion

The multilateral adoption of the Harmonized System would also have potential benefits for export trade in three important respects.

#### Economic benefits

An important protective benefit lies in the fact that the Harmonized System would serve as the basis for the customs tariffs of our major trading partners. Prior to the promulgation and widespread use of the CCCN, customs administrations could undermine the beneficial effects of tariff concessions by interpreting the scope of tariff provisions broadly or narrowly in order to classify goods into categories subject to high rates of duty. During the 1920's and 1930's this practice became widespread.

A major effect of the international use of the CCCN was to protect the value of tariff concessions granted through the trade-agreement process. The CCCN standardized, at least to some extent, the product classifications and, through a maintenance committee, controlled the product scope of each category through international consensus.

During the approximately 25 years the CCCN has been in use, the Nomenclature Committee of the CCC has met regularly to decide on the classification

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1/ U.S. House of Representatives, op. cit., pp. 2-4.

under the CCCN of new products appearing in international trade and products for which it is claimed the proper classification is in issue. The purpose of the Nomenclature Committee is to insure the uniform application and administration of the CCCN at the international and, therefore, at the national levels. Many of the Committee's decisions have been on products the subject of U.S. research, manufacture, and export. Although representatives of the U.S. Customs Service have been invited to Nomenclature Committee meetings as observers and in a limited number of cases have participated in discussions, as a practical matter their participation has had virtually no influence in the decisionmaking process of that Committee. Nonmembership by the United States has been a cause of frustration for many U.S. exporting companies, which feel that their interests have not been represented in this important forum. The problem is further compounded since there has been, to our understanding, no systematic analysis of nomenclature decisions of the Customs Cooperation Council or of corresponding tariff changes by our trading partners to determine whether there has been impairment in the value of tariff concessions granted the United States under the trade agreements program. Thus, concessions may have been lost without payment of compensation. Adoption by the United States of the Harmonized System would, therefore, serve to protect the value of tariff concessions granted the United States.

#### Statistical benefits

Another potential benefit lies in the statistical data which will be gathered under the Harmonized System. Throughout the development of U.S. technical proposals with respect to the Harmonized System, a primary consideration has been the usefulness of the data to be collected, not just by

the United States but by other potential users of the Harmonized System. Many industry groups, particularly capital-intensive industries with substantial exports, use statistics published by foreign governments in their investment planning and in determining export potential for their products. The development of the Harmonized System has enabled these producers to influence the kinds of trade data which will be collected by our trading partners on a product basis most useful for assessing market potential.

#### Trade facilitation

A third potential benefit is in facilitating the distribution of information as to the tariff classification of goods in foreign countries. Over the years the Commerce Department, the Commission and the Customs Service have received numerous requests for information as to the classification of particular goods under the CCCN. Because of a lack of expertise in the application of the CCCN, it has been difficult to adequately respond to these requests. Should the United States and its trading partners adopt the Harmonized System, the Customs Service would be better able to advise potential exporters with reasonable assurance of the proper classification of products in foreign tariffs. This potential benefit should not be overlooked, since we understand that it sometimes takes a great amount of time for foreign customs authorities to advise exporters as to the classification of their products.

#### Domestic Statistical Comparability

Section 608 of the Trade Act of 1974 amended section 484(e) of the Tariff Act of 1930 to provide the basis for achieving statistical comparability among imports, exports, and production. Beginning with the 1978 editions of

the Tariff Schedules of the United States Annotated and Schedule B, a significant level of comparability has been achieved between export and import data.

Adoption of the Harmonized System as the basis for the import and export trade data collection systems would vastly increase the number of product categories for which data would be collected on a comparable basis. It would also provide for greater comparability in the numbering system used for the import and export schedules, thus facilitating trade analysis.

#### Modernization

History has shown that as a result of changes in technology, in commercial terms and practices, and by reason of the introduction of new articles into commerce, customs and statistical product nomenclatures which are not maintained lose their effectiveness over time as meaningful sources of trade data and become difficult to administer effectively.

International trade now, more than ever, plays an important role in the economic structure and well-being of every country. In 1962, total U.S. imports amounted to slightly more than \$16 billion; by 1979, the value of U.S. imports had reached \$206 billion. Traditionally, countries have exercised control over the importation of articles through such means as the imposition of import duties and the establishment of quantitative restrictions and absolute prohibitions. In recent times, through the effects of the trade agreements program, governmental trade barriers have been substantially reduced, and protectionist measures have been imposed more and more on a product-by-product basis.

However, with the lessening of such barriers and the consequent increase in trade volume and in the variety of imports and exports (in terms of kinds



or types of products), it is essential that import data be correctly and accurately reported in a timely fashion. Consequently, there is a great need on the part of policymakers, trade analysts, market researchers, and others for not only comparable but useful data on a detailed product basis.

The importance of accurate and timely trade data to both the private sector and the U.S. Government cannot be overstressed. Detailed and aggregate trade data are increasingly relied upon in determining foreign economic trade policy questions, and are essential in balance-of-trade calculations, in sales and market analysis, and in determining domestic consumption. They are also used extensively in adjustment assistance cases, escape-clause actions, dumping investigations, in the negotiation of trade agreements, and in other policy applications.

Although numerous product categories have been inserted in the annotated tariff schedules for statistical purposes over the years, as a result of the operation of section 484(e) of the Tariff Act of 1930, there is presently no formal mechanism to insure that the U.S. tariff schedules themselves are kept up to date.

If the Harmonized System is adopted, it is envisaged that the Customs Cooperation Council will seek, through a committee made up of users of the system, to oversee its operation, not only for purposes of achieving uniformity in application, but also for purposes of maintaining it as a modern system. Implementation by the United States would also require the administrative capability within the Government to propose improvements to the system and to implement them domestically on an expeditious basis.

## PART 5. COSTS OF ADOPTION

The Harmonized System reflects concentrated technical input from a variety of interests and countries. As a result of numerous compromises, it does not necessarily represent the most modern product classification achievable, or one which is completely satisfactory to all interests. The proposed multilateral use of the system and the international nature of its development required that it not be prepared with the peculiarities of individual country statistical or tariff needs in mind. This works to both an advantage and a disadvantage. It is an advantage in that product nomenclature has been somewhat neutralized as a basis for trade discrimination. The disadvantage, of course, stems from the fact that a national tariff is an instrument of economic policy whose provisions are fashioned to reflect particular policy decisions.

If the United States adopts the Harmonized System as the basis for its tariff, numerous subdivisions will have to be created in order to restate existing tariff treatment. Such a procedure will be difficult without some consequential changes in rates of duty. The more slavishly a tariff conversion sticks to the concept of "no rate change" the more complex it becomes and, consequently, the more difficult the new tariff becomes to administer. This is particularly true with respect to the current TSUS, which has already been made quite complex as a result of a number of decisions made in conjunction with the recent Multilateral Trade Negotiations.

In addition, since the Harmonized System is a core system using six-digit code numbers, the further numbering of subdivisions for national tariff and

statistical purposes would expand the tariff reporting number from its present 7 digits to 9 or 10 digits. This will also result in additional complexity for tariff and foreign-trade statistical systems with a concomitant increase in the administrative burden.

Finally, the initial administrative burdens of implementing a new tariff and foreign-trade statistical system are formidable, not only for customs officers but for all those concerned with the preparation and processing of international trade documentation and the publication of data. The educational process involved in training personnel to use a new system represents a significant investment in time and effort.

## APPENDIX A

## MEMBERS OF THE CUSTOMS COOPERATION COUNCIL

(as of June 30, 1979)

Algeria	Madagascar
Argentina	Malawi
Australia	Malaysia
Austria	Malta
Bahamas	Mauritius
Bangladesh	Morocco
Belgium	Netherlands
Botswana	New Zealand
Bulgaria	Nigeria
Burundi	Norway
Cameroon	Pakistan
Canada	Paraguay
Chile	Peru
Congo (Rep. of)	Poland
Cyprus	Portugal
Czechoslovakia	Romania
Denmark	Rwanda
Egypt	Saudi Arabia
Ethiopia	Senegal
Finland	Sierra Leone
France	Singapore
Gabon	South Africa
Ghana	Spain
Greece	Sri Lanka
Guyana	Sudan
Haiti	Sweden
Hungary	Switzerland
Iceland	Syrian Arab Republic
India	Tanzania
Indonesia	Thailand
Iran	Trinidad and Tobago
Ireland	Tunisia
Israel	Turkey
Italy	Uganda
Ivory Coast	United Arab Emirates
Jamaica	United Kingdom of Great
Japan	Britain and Northern Ireland
Jordan	United States
Kenya	Upper Volta
Korea	Uruguay
Lebanon	West Germany
Lesotho	Yugoslavia
Liberia	Zaire
Luxembourg	Zambia

## APPENDIX B

BASIC DESCRIPTION AND CODING SYSTEMS PROVIDING A BASIS  
FOR THE HARMONIZED SYSTEMCustoms Nomenclatures

1. Customs Cooperation Council Nomenclature (CCCN)
2. Tariff Nomenclature for the Latin American Free Trade Association (NABALALC)
3. Customs Tariff of Canada
4. Tariff Schedules of the United States
5. Customs Tariff of Japan

Statistical Nomenclatures

6. Standard International Trade Classification (SITC, Rev. 2)
7. Nomenclature of Goods for the External Trade Statistics of the (European) Community and Statistics of Trade Between Member States (NIMEXE)
8. Import Commodity Classification (Canada)
9. Export Commodity Classification (Canada)
10. Schedule B (Export) (United States)

Transport Nomenclatures

11. Standard Commodity Nomenclature (NUM) of the International Union of Railways (UIC)
12. Worldwide Air Cargo Commodity Classification (WACCC)
13. Freight Tariff of the Association of West India Trans-Atlantic Steamship Lines (WIFT)
14. Standard Transportation Commodity Code (STCC)

Other Classifications

15. Standard Foreign Trade Classification of the Council for Mutual Economic Assistance (SFTC), which will be taken into account when its correlation with the BTN has been completed.

## APPENDIX C

## PROVISIONALLY ADOPTED CHAPTERS

- Chapter 1: Live animals; animal products
- Chapter 2: Meat and edible meat offal
- Chapter 3: Fish, crustaceans and molluscs
- Chapter 4: Dairy produce; birds' eggs; natural honey; edible products of animal origin, not elsewhere specified or included
- Chapter 5: Products of animal origin, not elsewhere specified or included
- Chapter 6: Live trees and other plants; bulbs, roots and the like; cut flowers and ornamental foliage
- Chapter 7: Edible vegetables and certain roots and tubers
- Chapter 8: Edible fruit and nuts; peel of melons or citrus fruits
- Chapter 9: Coffee, tea, mate and spices
- Chapter 10: Cereals
- Chapter 11: Products of the milling industry; malt and starches; gluten; inulin
- Chapter 12: Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruit; industrial and medical plants; straw and fodder
- Chapter 13: Lacs; gums, resins and other vegetable saps and extracts
- Chapter 14: Vegetable plaiting materials; vegetable products not elsewhere specified or included
- Chapter 15: Animal and vegetable fats and oils and their cleavage products; prepared edible fats; animal and vegetable waxes
- Chapter 16: Preparations of meat, of fish, of crustaceans or molluscs
- Chapter 17: Sugars and sugar confectionery
- Chapter 18: Cocoa and cocoa preparations

- Chapter 19: Preparations of cereals, flour or starch; pastrycooks' products
- Chapter 20: Preparations of vegetables, fruit, nuts, or other parts of plants
- Chapter 21: Miscellaneous edible preparations
- Chapter 22: Beverages, spirits and vinegar
- Chapter 23: Residues and waste from the food industries; prepared animal fodder
- Chapter 24: Tobacco and manufactured tobacco substitutes
- Chapter 25: Salt; sulphur; earth and stone; plastering materials; lime and cement
- Chapter 26: Ores, slag and ash
- Chapter 27: Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes
- Chapter 28: Inorganic chemicals; organic and inorganic compounds of precious metals, or rare-earth metals, of radio-active elements and of isotopes
- Chapter 29: Organic chemicals
- Chapter 30: Pharmaceutical products
- Chapter 31: Fertilizers
- Chapter 32: Tanning or dyeing extracts; tannings and their derivatives; dyes, pigments and other colouring matter; paints and varnishes; putty and other mastics; inks
- Chapter 33: Essential oils and resinoids; perfumery, cosmetics and toilet preparations
- Chapter 34: Soap, organic surface-active agents, washing preparations, lubricating preparations, artificial waxes, prepared waxes, polishing and scouring preparations, candles and similar articles, modelling pastes and "dental waxes"
- Chapter 35: Albuminoidal substances; glues; enzymes

- Chapter 36: Explosives; pyrotechnic products; matches; pyrophoric alloys; certain combustible preparations
- Chapter 37: Photographic and cinematographic goods
- Chapter 38: Miscellaneous chemical products
- Chapter 41: Raw hides and skins (other than furskins) and leather
- Chapter 42: Articles of leather; saddlery and harness; travel goods, handbags and similar containers; articles of animal gut (other than silk-worm gut)
- Chapter 43: Furskins and artificial fur; manufactures thereof
- Chapter 44: Wood and articles of wood; wood charcoal
- Chapter 45: Cork and articles of cork
- Chapter 46: Manufactures of straw, of esparto and of other plaiting materials; basketware and wickerwork
- Chapter 47: Pulp of wood or of other fibrous cellulosic material; waste and scrap of paper or paperboard
- Chapter 48: Paper and paperboard; articles of paper pulp, of paper or of paperboard
- Chapter 49: Printed books, newspapers, pictures and other products of the printing industry; manuscripts, typescripts and plans
- Chapter 64: Footwear, gaiters and the like; parts of such articles
- Chapter 65: Headgear and parts thereof
- Chapter 66: Umbrellas, sun umbrellas, walking-sticks, seat-sticks, whips, riding-crops and parts thereof
- Chapter 67: Prepared feathers and down and articles made of feathers or of down; artificial flowers; articles of human hair
- Chapter 68: Articles of stone, of plaster, of cement, of asbestos, of mica, and of similar materials
- Chapter 69: Ceramic products



- Chapter 70: Glass and glassware
- Chapter 71: Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad with precious metals, and articles thereof; imitation jewellery; coin
- Chapter 74: Copper and articles thereof
- Chapter 75: Nickel and articles thereof
- Chapter 76: Aluminum and articles thereof
- Chapter 78: Lead and articles thereof
- Chapter 79: Zinc and articles thereof
- Chapter 80: Tin and articles thereof
- Chapter 81: Other base metals; cermets; articles thereof
- Chapter 82: Tools, implements, cutlery, spoons and forks, of base metal; parts thereof
- Chapter 84: Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof
- Chapter 85: Electrical machinery and equipment; parts thereof
- Chapter 93: Arms and ammunition; parts thereof
- Chapter 94: Furniture; bedding, mattresses, mattress supports, cushions and similar stuffed furnishings; lamps and lighting fittings, not elsewhere specified or included; illuminated signs, illuminated name-plates and the like; prefabricated buildings
- Chapter 99: Works of art, collectors' pieces, and antiques





