

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

TAR/W/36

28 January 1983

Limited Distribution

Committee on Tariff Concessions

IMPLICATIONS OF THE HARMONIZED SYSTEM AND THE LOOSE-LEAF
EXERCISE ON THE TARIFF STUDY FILES

Note by the Secretariat

At its meeting on 21 October 1982, the Committee on Tariff Concessions agreed that the secretariat prepare a note on the implications of the Harmonized System¹ and the Loose-Leaf exercise for the Tariff Study. The present note briefly describes the Loose-Leaf schedules and the Tariff Study files and examines the changes which would be required in order to comply with the Harmonized System. It also compares information available in these two files with the data requirements spelled out in paragraph 4 of TAR/W/25/Rev.2/Add.1 and examines the possibility of establishing a computerized data base containing the latter information.

The Loose-Leaf schedules contain the following information: a description of the product(s) covered by the concession; the corresponding number of the tariff heading or sub-heading; the rate of duty most recently bound; reference to the legal instruments embodying the present concession and to the GATT schedule in which the concession was first incorporated, as well as the initial negotiating rights. The schedule is presented in tabular form, each item of information being reported in a separate column. The tariff numbering and the description usually correspond to the national customs tariff in force at the date of the establishment of the schedule; subsequent changes are, in general, reflected in rectification sheets. The definitions of partial bindings (ex-items) are given in the description, but the lines are not always numbered. For residual items the product descriptions are, in general, not self-explanatory and the products falling in such items can only be identified in the full context of the customs tariff. Since Loose-Leaf schedules only contain bound items, the identification of the products falling in residual items is not always possible from the Loose-Leaves alone.² Loose-Leaf schedules are expected to be submitted by all contracting parties, but not all have yet done so.

The Tariff Study files cover the following twelve markets: Australia, Austria, Canada, the European Communities, Finland, Hungary, Japan, New Zealand, Norway, Sweden, Switzerland and the United States. The files follow the national customs tariff's nomenclatures and cover all items; for Canada and

¹The Harmonized Commodity Description and Coding System under preparation by the Customs Cooperation Council in Brussels.

²In this connexion reference is made to the United States' submission in document TAR/W/32.

the United States, conversion to CCCN could be established. For each tariff line, the files contain: the tariff number; an abbreviated description of the products falling under the heading; the MTN base and final m.f.n. rates; the m.f.n. rate applied in 1980; the GSP rate as reported in the latest scheme available at the time of the updating of the file; general information on other preferential rates applying under free-trade area or other preferential agreements; and import statistics. The latest files are generally based on 1980 imports and 1980 tariff nomenclatures; the previous ones refer to 1978. Each duty rate is recorded in ad valorem form, but where applicable, specific, mixed or compound rates are also shown. In the case of items subject to variable levies or incorporating a variable component, no ad valorem equivalent is available. GATT bindings are identified by various codes indicating, for example, whether all or only part of the products within the tariff line are bound. In the case of preferential tariff rates, various codes identify, where applicable, the limitations (quotas, ceilings, etc.) conditioning the granting of tariff preference. Import data are recorded by origin in the detail of the national tariff nomenclatures, in value and generally also in quantity, with an indication of the type of tariff treatment to which the individual suppliers are entitled (m.f.n., GSP or other tariff treatments).

The tariff data in the Tariff Study files are compatible with those in the Loose-Leaf schedules. However, the tariff line numbering is, for various reasons, not always the same. For instance, some of the Tariff Study files are based on statistical or applied tariff classification, while the Loose-Leaf schedules are based on the legal tariff; each tariff line carries a number in the Tariff Study, while certain ex-items are not numbered in the Loose-Leaves; revisions in tariff nomenclatures are not systematically recorded in the Tariff Study files, while the Loose-Leaf schedules are expected to be updated regularly. The product descriptions in the Tariff Study have been abbreviated and modified in order to become, as far as possible, self-explanatory; they therefore have not the legal bearing of the product descriptions in the Schedules. Moreover, the text of specific, mixed or compound duty rates has been coded in the Tariff Study in order to make possible the calculation of ad valorem equivalents.

When agreement was reached concerning the Loose-Leaf schedules, it was envisaged that the information would be stored on magnetic support (tape, diskette, etc.). A few countries therefore recorded the information on text processing machines, others provided a type-written text using special type (OCR-B), in principle convertible to computerized record through an optical reader. Unfortunately, the recording was made on different, virtually incompatible text processing equipment and their use on the secretariat's equipment would require special interface which has not yet been developed. Experiments with optical readers have so far been abortive. Should it not be possible to use the optical reader the recording of the Loose-Leaf schedules on magnetic tapes might be simplified if the tariff information (item number, description and duty rate) available on diskettes in the International Customs Tariff Bureau could be used. This possibility will be explored.

The Harmonized System which is now under preparation in the Customs Cooperation Council is more detailed than the CCCN and most national customs tariff schedules. The draft of the Harmonized System contains at this stage some 1,240 headings (4-digit) and more than 5,000 items (6-digit), while the CCCN contains only slightly over 1,000 headings at its most detailed (4-digit) level (see table below). The detail of national tariffs ranges in most cases between 2,000-5,000 items. While the Harmonized System incorporates many of the criteria underlying the present national classifications, not all the specific country needs have been covered and further subdivisions will be indispensable. Thus the adoption of the Harmonized System as a basis for national tariff classifications will, in general, result in a considerable increase in the number of tariff items and will, in certain cases, also necessitate structural modifications of the national tariff classifications. The changes in statistical classifications are also likely to be far-reaching and it is probable that full continuity of the trade data could not be assured at the most detailed level. Ideally, to bridge the gap, import statistics should be compiled according to the old and the new classifications for the transition year. This, however, is a costly procedure and may therefore not be acceptable. What is more, the figures could be established only after the new classification had been implemented, which may be too late for most practical purposes. For the Tariff Study exercise, trade allocations together with detailed concordances relating to the two classifications, might be a sufficient basis for conversion of the files to the Harmonized System.

	Number of Headings					
	In Harmonized System		In CCCN 4-Digit Nomenclature			
	4-digit	6-digit	Total	Transferred 1 for 1	Regrouped	Sub-divided
Agriculture	201	698	164	92	36	36
Industry	1 040	4 316	847	501	129	217
Total	1 241	5 014	1 011	593	165	253

Once updated, a large part of the information in the computerized Tariff Study files will be similar to that required for the rectification procedures and re-negotiations under Article XXVIII. Hence the question arises whether the data submission could not be simplified if some of the Tariff Study data were used and the whole documentation was computerized.

Thus, to produce the annexes to TAR/W/25/Rev.2 the following sets of data would be sufficient:

- (i) Loose-Leaf schedule (as in Annex 1) recorded on magnetic tape or diskette established in a format required for automated processing.

- (ii) Proposed Harmonized System Schedule (as in Annex 2) on magnetic support, in the same format as under (i).
- (iii) One-to-one concordance between the item numbers in the present Loose-Leaf schedule and the Harmonized System schedule plus the corresponding percentage trade allocations.
- (iv) Value of imports by tariff item according to the existing Loose-Leaf schedule classification.

The establishment of a data base common to all delegations participating in the re-negotiations may even be envisaged. In that case, all the basic information would be stored on a single computer and would be available for extraction or further calculations by any participant. The advantages of such a common exercise would be ready access to any of the data, possibility of sorting the information according to various criteria, compilation of aggregates, averages etc. and easy updating of the data. The results could either be read immediately on terminal screens in the delegations or printed in the format required. Delegations could, furthermore, carry out independent calculations using data from the common base and from other sources.

The technical facilities required for such an exercise are available in Geneva. The International Computing Centre has sufficient data processing capacity and the data base management system used by the Secretariat can be adapted for this purpose. Moreover, the computing centre is connected to several capitals and the network could be extended if required.

The decision with regard to the use of computer in the Harmonized System exercise depends on the volume of basic data handled in the negotiation. If the overall number of tariff changes were small, the size of the printed documentation would remain manageable but the cost of the computer operations and the constraints which any computerized exercise involves would be disproportionate to the advantages of such an exercise.

For instance, some of the present Loose-Leaf schedules are not suitable for computerized retrieval and would have to be revised. The deficiencies concern mainly item identification since, for EDP treatment each tariff item (or tariff line) must be identified by a distinct number (both numerical and alpha-numerical coding can be used), and the whole number must be recorded in the column designed for this purpose.

On the other hand, the import figures are likely to exist already on computer tapes in the capitals, but the statistics are not necessarily classified according to the tariff nomenclature. If the statistical classification is detailed enough, these statistics could be used instead (together with a concordance between the two classifications).

Furthermore, if computerized files were established, the problems of documentation size would no longer arise and more extensive information might be collected in cases where further data requirements can be anticipated. Thus, for instance, a breakdown by origin of the import

figures might be recorded (either in full detail or for principal suppliers), together with more detailed trade allocations. Similarly, with regard to duty rates, ad valorem incidences of specific, mixed or compound duties might be required for the overall assessment of duty changes and GSP rates could be useful supplementary information in certain cases. Such data could easily be included in the data files and extracted when needed. For the countries participating in the Tariff Study, the additional information could be extracted from the existing Tariff Study files. Also, some of the tariff item descriptions and duty rates might be used, although the text in the Tariff Study files has been abbreviated and modified.

In summary, the adoption of the Harmonized System will necessitate conversion of all files into the new nomenclature. To preserve continuity of the data, two parallel Tariff Study files would have to be established for the reference year (one based on the present tariff classification the other according to the Harmonized System) the two files related through a concordance between the two nomenclatures. The procedure for conversion of the Loose-Leaf schedules and establishment of a concordance has been outlined in Annexes 1 and 2 of TAR/W/25/Rev.2.

The information in the Loose-Leaf schedules and in the Tariff Study files should be considered as complementary. It would, therefore, be most useful if the two sets of information were fully harmonized and could be used in conjunction. The conversion into the Harmonized System would be a good opportunity for carrying out this task. The converted files could then fulfil most of the data requirements set out in paragraph 4 of TAR/W/25/Rev.2.

The Committee may, therefore, wish to consider whether:

- (i) the Tariff Study files should be converted to the Harmonized System as soon as technically possible using for imports statistical estimates or percentage trade allocations or whether the conversion should await finalization of the Harmonized System exercise and establishment of comprehensive import statistics according to the new classification system;
- (ii) the future Loose-Leaf schedules should be recorded on magnetic tape or diskette and the existing Loose-Leaf schedules converted to IBM compatible data sets;
- (iii) creation of a common data base containing the data described in paragraph 4 of TAR/W/25/Rev.2 should be undertaken. If this were the case the Committee may, furthermore, consider calling an expert group to determine the precise data content and technical details, e.g. format of data storage, retrieval requirements etc.