

**GENERAL AGREEMENT
ON TARIFFS AND TRADE**

RESTRICTED
GPA/IC/W/12
7 December 1994

(94-2693)

**Interim Committee on Government Procurement
Working Group on Statistical Reporting**

NOTE ON THE DISCUSSION AT THE MEETING
OF THE WORKING GROUP HELD ON 15 NOVEMBER 1994

Note from the Secretariat

I. INTRODUCTION

The Working Group on Statistical Reporting, which was established by the Interim Committee on Government Procurement at its meeting on 29 June 1994, held its first meeting on 15 November 1994. The discussion concentrated on two main issues: uniform classification systems for purposes of statistical reporting and country of origin of products and services.

II. UNIFORM CLASSIFICATION SYSTEM

Some delegations expressed the view that it was perhaps premature to talk about specific classification systems at this stage and that it would be more useful to focus the discussion at this meeting on the general characteristics that the classification system or system to be used for purposes of statistical reporting to the Committee on Government Procurement should possess. Another delegation was already in a position to put forward some specific suggestions for consideration by the Group. Some delegations indicated that they needed more time for study and that their remarks were preliminary at this stage.

Several characteristics or principles were identified by one or more delegations as being necessary for any classification system under the Agreement.

- Universality/Uniformity. The view was expressed that it would be desirable that statistical information would be supplied by each Party on the basis of the same (uniform) system or systems. One delegation stressed the desirability of employing universally recognized systems, which were not linked to a specific geographical area. This would help accommodate future Parties to the Agreement. In drawing a parallel with the provisions on rules of origin in Article IV of the Agreement, classification systems should be those used in the normal course of trade. Another delegation questioned the existence of a universal classification system which was used around the world. The point was made that the supply of statistical information to the Committee on a common basis would not preclude the use of different national systems provided they were capable of being put on a common basis through concordances between the national systems and the one(s) under the Agreement. The view was also expressed that the use of different systems by different Signatories for purposes of reporting to the Committee should not *a priori* be excluded.
- Comparability of statistics for the entities in each of the Signatories, with a view to allowing a meaningful comparison of what Signatories are reporting. One delegation viewed this in the context of the desirability of having more than one system.

- Coverage. One delegation expressed a preference for the adoption of a single system covering goods, services and construction services. Other delegations were of the view that there was a case for separate systems for goods and for services, albeit that these should be the same for Annexes 1, 2 and 3.
- An appropriate level of detail. Several points were made in this respect. The level of detail should be sufficient to provide meaningful information about the types of goods and services that were normally being procured by governments, which were identified as different groups which were sometimes bound and sometimes not bound within the Agreement, but only to the extent that the systems remained workable and that the amount of information provided was necessary and useful for the purpose to be achieved by collecting statistical data. The level of detail should furthermore allow for concordances between national classification systems and the Agreement's system or systems. The point was also made that the level of detail in the system(s) should take into account the need for adequate information regarding the derogations and exclusions in the Agreement. It was also suggested that an analysis could be made of the various derogations and exclusions in the Agreement with a view to identifying categories of products which should or should not be separately identified from the point of view of statistical reporting.

Delegations also discussed the advantages and disadvantages of several specific classification systems.

- Harmonized System. One delegation suggested that the Harmonized System (HS) would be a suitable candidate for the reporting of statistics on goods. It was a universal system and was commonly used. In commenting on this suggestion, the point was made that, while the HS was increasingly the standard for customs authorities, the Harmonized System was not suitable for purposes of statistical reporting under the Agreement on Government Procurement because it was too comprehensive. One delegation added that the HS was not a commonly used system to record procurement statistics and that his authorities would find it almost impossible to establish any reliable concordance between the HS and their national system. Another delegation, recalling a study his delegation had undertaken earlier in a different framework, noted that the HS system required reporting either by 21 sections, which did not provide enough detail, or by 98 chapters, providing too much detail. HS was oriented towards commercial items, but did not provide enough details on categories of products typically purchased by governments. Furthermore, implementing HS for procurement purposes would create great difficulties administratively.
- UNCPC. One delegation suggested that the UNCPC would be a suitable candidate for the reporting of statistics on services, since it was a universal system and commonly used. One delegation noted that the UNCPC would perhaps be appropriate for reporting services but it would be wholly inadequate for goods.
- The point was made that the system of 26 product categories used under the current Agreement sometimes lacked a necessary level of detail to provide meaningful information.

It was noted that the US Federal Classification System might have some merit for reporting statistics on goods but that it was probably not adequate for services. The representative of the European Communities mentioned that the CPA, the classification system his authorities had developed for internal use and on which their own procurement information was based, had strong links with the UNCPC. It allowed comparison of public sector procurement with other statistics such as on production and

on markets in individual countries and could be organized in a way to match other systems. He recognized however that the CPA was a European system and by no means universal.

The Working Group requested the Secretariat to prepare a paper on previous discussions held in the Committee on Government Procurement under the Agreement presently in force, summarizing the arguments advanced on the advantages and disadvantages of the various classification systems. In addition, in order to determine where detail of product and service categories would be required in the classification system or systems, the Chairman suggested that delegations, prior to the next meeting, study in their capitals in what categories of goods and services their procurements were concentrated. It was suggested that this could, for example, be done by taking a representative sample drawn from statistical reports submitted in the last few years.

III. COUNTRY OF ORIGIN OF PRODUCTS AND SERVICES

The view of some delegations was that there was merit in using the same rules of origin for purposes of statistical reporting under Article XIX as those applied under Article IV. This was so because rules of origin used for purposes of statistical reporting should be those used in the normal course of trade. Moreover, since Article IV triggered the rights and obligations of the Agreement, it seemed sensible that those same rules of origin be used in the reporting of statistics under the Agreement. However, one delegation said that it might be necessary, for reasons of practicability and collectibility, for the rules of origin for the purpose of statistical reporting to be different from the ones used to determine what goods and services benefit from the Agreement. The practical aspects of collecting statistical information required simplifying the rules of origin in order that a provider of information could understand them and would be in a position to provide the information required. Placing an excessive burden on reporting officers might mean that no, or very unreliable, information was provided. One delegation noted these concerns and was open to suggestions. He would welcome any proposal to that effect.

The Group considered how the origin of a service should be defined for the purposes of statistical reporting. There seemed to be a widely-held view that the nationality of the service supplier should be employed as the basis for defining the origin of a service. However, it was also noted that the use of nationality as a basis was not without difficulty. For instance, how would one define the nationality of a locally-established subsidiary in country A of a company in country B which itself was wholly owned by a company in country C? One delegation noted that the practice of its own government was that if a contract was awarded to a local subsidiary of a foreign company, the contract would be considered local; if, however, it was awarded to the foreign company itself, the contract would be considered foreign. Another delegation explained that its authorities were trying to collect statistics on the origin of services on the basis of the address of the winning tenderer, but admitted that this was not a totally satisfactory method for determining the real origin of the service. In this context, delegations recognized the relevance of the provisions in the GATS as regards the origin of services and agreed that further reflection on this was desirable.

The Working Group requested the Secretariat to prepare a short paper on the way nationality was defined in the various WTO Agreements and, to the extent possible, in other international economic agreements. The Chairman invited delegations to bring experts along in the area of rules of origin of goods and in the area of services at the next meeting.

IV. DATE OF THE NEXT MEETING

It was agreed that the Chairman would set the next meeting in consultation with delegations, which would most likely coincide with a future meeting of the Interim Committee on Government Procurement. The Chairman furthermore invited delegations to submit proposals in writing on any of the matters discussed.