

GENERAL AGREEMENT ON

TARIFFS AND TRADE

RESTRICTED

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Committee on Government Procurement

UNIFORM CLASSIFICATION SYSTEM FOR STATISTICAL REPORTING

Note by the Secretariat

Article VI:10(b) of the Agreement on Government Procurement requires certain statistics to be broken down "according to a uniform classification system to be determined by the Committee". "Categories of products" are also referred to in subparagraph (c) of Article VI:10. The establishment of a uniform system has been discussed in many Committee meetings over the last four years¹.

The Committee agreed in June 1990 "to revert to this matter at the first meeting in 1991 when the secretariat would be able to compile an analytical report of the proposals which had been made". (GPR/M/37, paragraph 30).

The present note has been prepared by the secretariat in an attempt to respond to the above.

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1. At this stage, given the discussion in the Committee so far, it seems that three major classifications could provide the base for a Uniform Classification System for Statistical Reporting for government procurement purposes. These are the existing 26 product categories agreed upon by the Committee in January² 1981, used by 11 of the 12 Parties to the Agreement (GPR/M/1, Annex III)², the Harmonized System (HS) and the UN Central Product Classification (CPC).

2. Individual delegations have stressed different aspects in the course of the discussions. The major concerns expressed regarding a Uniform Classification System can be grouped together and summarized as follows:

- the system should focus on the function of the product rather than the material from which it is made;
- while it should deal primarily with groupings of products, it should provide enough detail for the main products procured by governments (examples have been given);

¹Ref. GPR/M/26, 28, 30-32, 34, and 36-37

²Under the 1981 Decision, one Party reports statistics according to 24 groupings based on the NIPRO nomenclature (Common Nomenclature of Industrial Production). However, this Party has not suggested that this classification be used as a basis for a Uniform Classification System.

- it should provide for the possible inclusion of services;
- for the sake of simplicity, the number of categories should not be too large;
- the Classification System should bring about harmonization of statistics, ensure their comparability, and enhance their transparency; and
- the implementation of any new system should be done with minimum additional resources and administrative burden.

3. As none of the classifications could actually give a global answer to all of the above concerns, a compromise will have to be found reflecting the relative importance the Parties attach to the different aspects.

4. If the priorities are harmonization, comparability and transparency in international merchandise trade statistics, the best candidate might seem to be the Harmonized System, which is well known in the trade policy environment.

5. The CPC also provides comparability and transparency. In addition, it represents a concrete achievement of a need for improved harmonization between the various classifications in the economic field, expressed as far back as the early seventies. It has a statistical breakdown tailored to potential government procurement needs in that it provides for the possible inclusion of services.

6. A solution which would consist of improving the existing "26 categories", provides no major advantage over the other two methods, except possibly to be less administratively costly in a brief introductory period for those Parties which presently employ this system. From a purely statistical point of view, it does not address any major issues and does not fit well into the GATT's statistical data base.

7. In the early seventies the Customs Co-operation Council (CCC) decided to revise its nomenclature (CCCN). The new nomenclature, called the Harmonized Commodity Description and Coding System (HS), was approved in 1983 and entered into force in 1988. In 1974, a UN expert group was asked to make recommendations in order to develop a new product classification (CPC), using the detailed headings of the HS as building blocks for the section dealing with transportable goods. Also, the Standard International Trade Classification (SITC), when being revised, was to become part of this programme of harmonization. The expert group was also mandated to revise the International Standard Industrial Classification (ISIC). In 1985, the UN Statistical Commission approved the third revision of the SITC and confirmed that the degree of harmonization reached between the same and the CPC and ISIC was in accordance with its adopted strategy. In 1989 the third revision of ISIC was approved, as well as the final draft of the CPC, which is being applied provisionally until final adoption expected in 1993.

8. The Central Product Classification (CPC) has been developed to suit all kinds of statistics which require product detail. Such statistics may be for production, consumption, trade, prices, stock, etc. The purpose is to provide a framework for international comparison of statistics dealing with goods, services and assets. It is based on a system of categories that is both exhaustive and mutually exclusive and that maintains a close relationship with the ISIC. In order to achieve the best possible concordance, only the products that are produced by a single industry are grouped into one CPC sub-class. However, since all CPC categories in the goods area are aggregates of HS sub-headings and since the origin criterion was not always taken into account in the HS, the industrial origin principle could only be applied insofar as the HS allowed it.

9. Thus, as a result of the work commissioned by the Statistical Commission, the third revisions of the ISIC and the SITC and the final draft of the CPC are strongly interrelated, not to mention HS from which CPC derived. Cross-reference tables between the CPC and the other major classifications exist or are being developed. The CPC also interrelates with a number of other classifications, either directly or indirectly. These include the classification of Broad Economic Categories (BEC) and the Combined Nomenclature (CN) of the European Communities.

10. Under any system chosen, the Committee would be free to decide on the degree of statistical detail to be provided.

11. In classifying the present "26 categories" in 1981, attempt was made to avoid sub-dividing CCCN 4-digit headings. However, some products clearly belonged to different categories and were considered important enough to justify maintaining the sub-divisions. These products were defined in footnotes. A minimum improvement of this system would be to transfer CCCN numbers into HS language.

12. The CPC provides a manageable number of divisions for manufactures (39) and has 30 divisions for services ready to use. These divisions may not satisfy the need for detail in government procurement statistics. On the other hand, the 291 divisions at 3-digit level might seem excessive. However, the CPC is organized in such a way that it may be expanded or contracted, depending on how much detail is needed. As already mentioned, the CPC is already an aggregation of the more detailed HS nomenclature.