

# The Harmonized System (I)

**What?**

**Why?**

**How?**

**Your facilitator**

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# The Harmonized System – a brief introduction

- Overall objectives of WCO and HS Convention
- Application fields
- Structure
- Obligations
- Management

# WCO



- ✓ WCO : the intergovernmental organization uniquely competent in Customs matters
- ✓ 184 Members
- ✓ Global Centre of Customs expertise
- ✓ Leading role in development and implementation of modern Customs procedures

# Objectives WCO

- Harmonization and simplification of Customs systems and procedures
- Achieved by developing, maintaining and promoting:
  - Conventions
  - Recommendations
  - Declarations and other instruments
  - Best-practice approaches

# Harmonization and simplification

Some of the WCO instruments :

- Simplification and harmonization of Customs procedures:
  - ✓ Revised Kyoto Convention (131 Contracting Parties)
- Commodity description and coding system:
  - ✓ Harmonized System
- Declaration on the illegal wildlife trade

# The Harmonized System

- One of the Flagships
- Harmonized System or HS
- International Convention on the Harmonized Commodity Description and Coding System

# **The International Convention on the Harmonized Commodity Description and Coding System**

- Annex to the Convention: the HS Nomenclature
- Multipurpose Goods Nomenclature
- Basis for Customs Tariffs and Trade Statistics of 200 countries and economies
- More than 98 % of World trade in terms of the HS
- The universal economic language and code for transportable goods



# The Harmonized System (HS)



- Implemented internationally in 1988
- 160 Contracting Parties (June 2022)
- Maintained by WCO through the HS Committee
- Nomenclature Sub-Directorate acts as Secretariat

# The Harmonized System (HS)



Main objectives :

- To facilitate international trade
- Collection, comparison and analysis of trade statistics
- Standardization of trade documentation and transmission of data

# The Harmonized System (HS)



How does it facilitate:

- Immense costs when using different product classification systems
- Reclassification of a single product up to 17 times
- Minimising the classification processes by using the same standard worldwide
- Trade data based on the same parameters

# Users of the Harmonized System



Used by :

- Customs
- Statisticians
- Governments
- International organizations
- Private sector

# Multi-purpose tool

Many purposes, such as :

- ✓ internal taxes
- ✓ trade policies
- ✓ monitoring of controlled goods
- ✓ rules of origin
- ✓ transport statistics
- ✓ quota controls
- ✓ economic research and analysis

A universal economic language and code for goods,  
and an indispensable tool for international trade

# Monitoring international trade



HS provisions for monitoring international trade of controlled goods (examples):

- 2903.41 - - Trifluoromethane (HFC-23)
- 3824.81 to 3824.89 – Goods specified in Subheading Note 3 to this Chapter
- 85.49 Electrical and electronic waste and scrap (Note 6 to Section XVI)

# Origin

## HS provisions for Rules of Origin (example EU - ACP):

List of working or processing required to be carried out on non-originating materials in order for the product manufactured to acquire originating status

The products included in the list may not all be covered by this Regulation. It is therefore necessary to consult the other parts of this Regulation.

HS heading No	Description of product	Working or processing carried out on non-originating materials that confers originating status
(1)	(2)	(3) or (4)
Chapter 01	Live animals	All the animals of Chapter 1 used must be wholly obtained

HS heading No

# The Annex

## Convention

- Preamble
- 20 articles
- Annex

“The Harmonized Commodity  
Description and Coding System”

commonly referred to as

“Harmonized System”, “HS”, or  
“Nomenclature”



# The Annex

## Nomenclature:

- Headings, Subheadings and their related numerical codes
- The Section, Chapter and Subheading Notes; and
- The General Interpretative Rules

# The structure

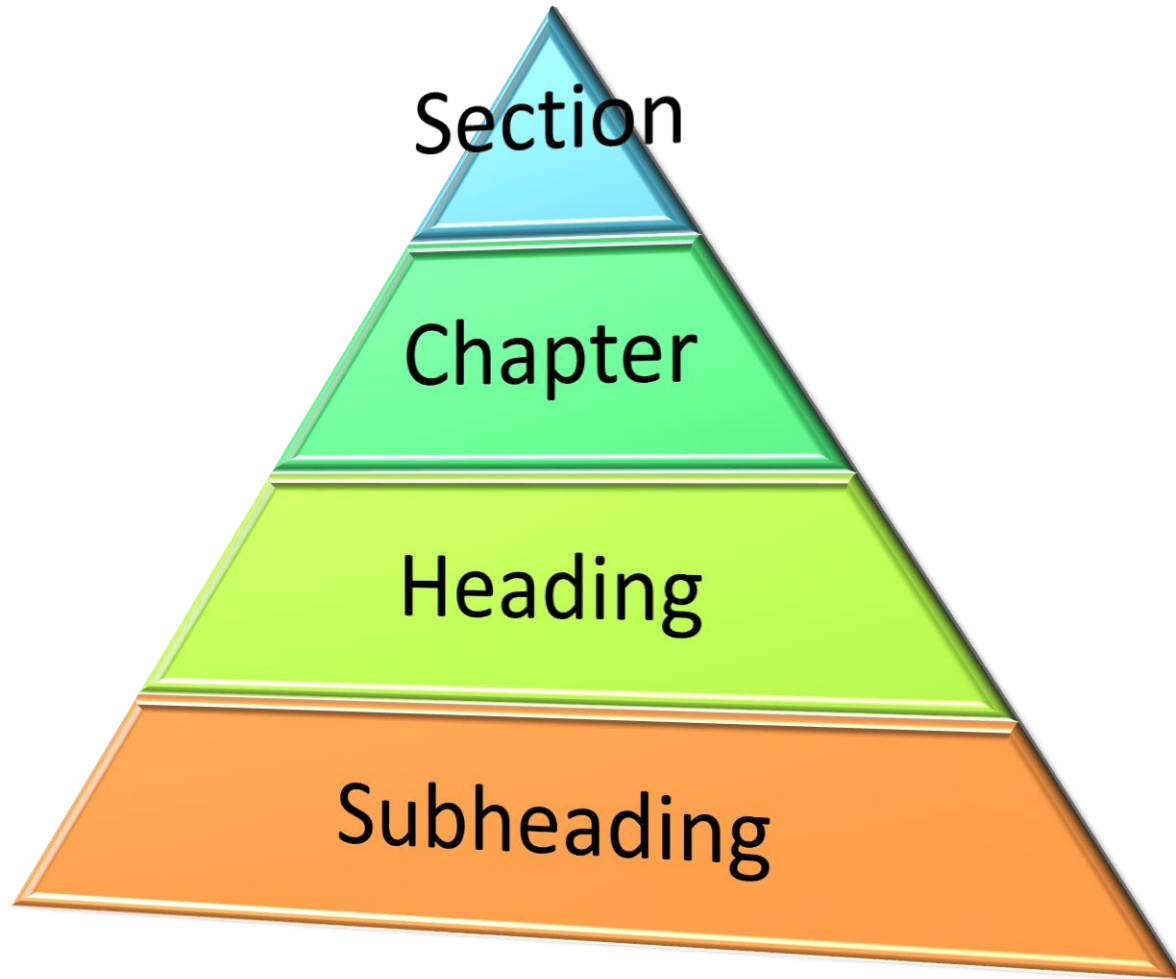
The Harmonized System (HS):

- ✓ Structured Nomenclature
- ✓ Provides a legal and logical structure
- ✓ Identification of goods

# The structure (2022 edition)

- Sections: 21
- Chapter: 96
- Headings (4 digits): 1,228
- Groups of commodities identified by description (6 digits = HS Code): 5,609

# The structure



# Structure

## Example (1)

### Section XI Textiles and textile articles

Chapters 50 to 55  
Specific textile materials

Chapters 61 to 63  
Made up products

Chapters 56 to 60  
Mainly intermediate products

## Section XI – typical products

- Cotton yarn – 52.05
- Woven fabric of cotton – 52.08
- Knitted fabric of cotton impregnated with plastics – 59.03
- Anorak of knitted fabric impregnated with plastics – 61.13

*In general terms:*

Further processed → higher heading number

# Structure

## Example (2)

### Chapter 55: Man-made staple fibres

Filament tow => *55.01/55.02*

Fibres, not carded, combed or otherwise processed for spinning => *55.03/55.04*

Fibres processed for spinning – Rovings => *55.06/55.07*

Yarn, not put up for retail sale => *55.09/55.10*

Woven fabrics of staple fibres => *55.12 – 55.16*

# Structure

## Example (3)

### Heading 51.02

Fine or coarse animal hair, not carded or combed

- Fine animal hair:
  - 5102.11 - - Of Kashmir (cashmere) goats
  - 5102.19 - - Other
  - 5102.20 - Coarse animal hair



# Section, Chapter and Subheading Notes

## Section, Chapter and Subheading Notes

- Form an integral part of the HS
- To define the scope of :
  - Section
  - Chapter
  - Heading (or group of headings)
  - Subheading
- Commonly known as “legal notes”

# The Notes

General definitions limiting the scope of a subheading or heading or the meaning of particular terms

Examples :

- Note 10 to Chapter 84 –  
definition of “Machines for additive manufacturing”
- Note 5 to Chapter 85 –  
definition of “smartphones”

# The Notes

- *Non exhaustive* list of products covered (example)
  - Note 2 to Chapter 86 – “parts of railway or tramway locomotives or rolling-stock” of heading 86.07:

**“Heading 86.07 applies, *inter alia*”**

# The Notes

- Exhaustive list of goods covered by a heading or group of headings (example) :
  - Note 4 to Chapter 30 – scope of heading 30.06:

“Heading 30.06 **applies only to** the following ,  
which are to be classified in that heading and in  
no other heading of the Nomenclature:  
(a) (...)”

# The Notes

## Scope of a Section/Chapter

- Important: what is covered
- Equally important: what is **not** covered

# The Notes

- Exclusions (products not covered)

list of products not classified in the Chapter  
+ indication where to be classified

– example Note 1 to Chapter 17:

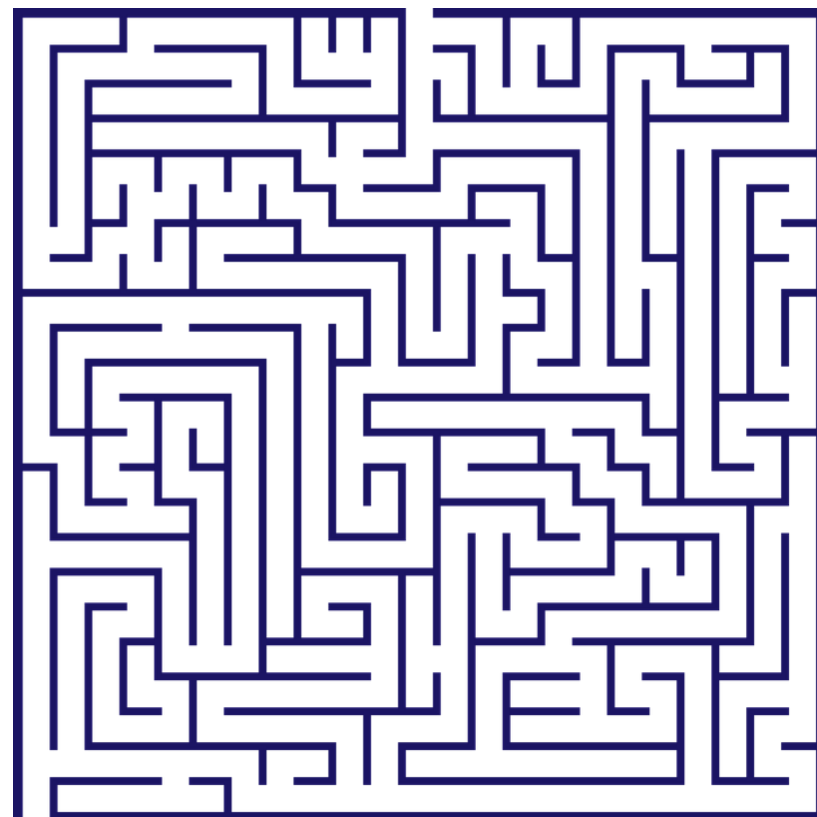
“This Chapter does not cover:

(a) Sugar confectionery containing cocoa (heading 18.06)

(b) (...)”

NB. Almost all Chapters have an exclusion Note!

5,609



# Classification : an easy or complex exercise?

Step-by-step process:

- Identify the goods
- Identify the possible Chapters
- Consider the appropriate Section and Chapter Notes
- Locate the appropriate headings
- [Classify at subheading level]



# Contracting Party - the obligations

*Customs tariffs and statistical nomenclatures shall be in conformity with the HS :*

- use all headings and subheadings together with their related numerical codes
- general rules of interpretation, all section notes, chapter notes and subheading notes
- follow the numerical sequence of the HS
- no modifications permitted except textual adaptations for the purposes of domestic law

# Contracting Party - the obligations

- Make publicly available import and export trade statistics in term of 6-digit of the HS

## Exceptions :

- for reasons of commercial confidentiality or national security
  - goods of no commercial value
- To implement HS amendments on the date of their entry into force (art. 16)

# Maintenance

## Harmonized System Committee (HSC)

- Composed of the representatives of HS Contracting Parties
- Two sessions in a year
- Classification questions (including disputes)
- Classification Opinions
- Explanatory Note amendments
- Legal Text amendments
- HS-related Council recommendations
- General questions and policy matters relating to the HS

# Maintenance

- **Working Party (WP)**
  - finalizing drafts of Classification Opinions and Explanatory Notes
- **Review Sub-Committee (RSC)**
  - keeping the HS up to date in terms of trading patterns and changes in technology
- **Scientific Sub-Committee (SSC)**
  - assisting the HSC and other WCO committees

# THAT's ALL !

(for part (I))