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Article — Published Version

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Global Trade and Customs Journal

Suggested Citation: Weerth, Carsten (2008) : Harmonized System: Nomenclature Evolution at Its 20th Anniversary (1988–2008), Global Trade and Customs Journal, ISSN 1569-755X, Kluwer Law International, Alphen aan den Rijn, Vol. 3, Iss. 7/8, pp. 275-278

This Version is available at:

<https://hdl.handle.net/10419/198042>

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Harmonized System: Nomenclature Evolution at Its 20th Anniversary (1988–2008)

Carsten Weerth*

More than 200 countries and economic regions worldwide are using the nomenclature of the Harmonized Commodity Description and Coding System (Harmonized System Convention, HS) and are basing their customs tariffs thereon. The number of HS headings (four-digit-code) and HS-subheadings (six-digit-code) is altered every four to six years, when the nomenclature is revised and updated due to trade patterns and technical development (HS 1988, HS 1992, HS 1996, HS 2002, HS 2007). More and more gaps are emerging within the nomenclature 34 headings are not in use in the HS 2007 for the next four to five years. This Column shows the history of HS revisions, the gaps within the nomenclature and the evolution of the HS nomenclature within the past 20 years (1988–2008).

I. INTRODUCTION

The Harmonized Commodity Description and Coding System (Harmonized System Convention, Brussels, 14 June 1983; in short, Harmonized System or HS) for the customs classification of goods into the tariff scheme of the HS nomenclature, has resulted in the worldwide annealing of tariff nomenclatures since its first usage in 1988. It is in use in more than 200 countries and economic regions (however, only 133 countries are contracting parties¹) and more than 98 percent of all trans-border trade is statistically and economically classified by help of the HS nomenclature.² The customs classification of goods is complex and depending on numerous rules, in particular on the terms of 1,221 HS headings (however, a

further 34 HS headings are not in use³), and 380 notes according to General Rule (GR 1) and on the terms of 5,052 HS subheadings and 9,699 CN subheadings and 56 subheading notes⁴ according to GR 6.⁵

After revision of the HS nomenclature that is effective since 1 January 2007 (HS 2007), several new gaps have emerged.⁶

The HS nomenclature (HS 1988) has been revised in 1992 (HS 1992), 1996 (HS 1996), 2002 (HS 2002) and 2007 (HS 2007) and thereby certain obsolete headings have been cancelled. This Column presents an overview about the evolution of the HS nomenclature regarding HS headings (four-digit code), the HS subheadings (six-digit code) and the subheadings that are in use in the European Community (EC) which are introduced by the so-called Combined Nomenclature

Notes

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- 1 See Weerth (2008b), *HS 2007: New Countries Are Applying the Harmonized System Nomenclature*, 3 *Global Trade and Customs Journal* 3 (April), 141. The Arab Republic of Syria is the 132nd contracting party to join the HS Convention in November 2007 and is to apply the HS nomenclature from 2009 (or earlier).
 - 2 See Wind (2007), 2 *Global Trade and Customs Journal* 2 (February), 82.
 - 3 See Weerth (2008c), *HS 2007: New Gaps are Emerging Within All Customs Tariffs*, 3 *Global Trade and Customs Journal* 4 (April), 141.
 - 4 See Weerth (2008d), *HS 2007: Notes of the Tariff Nomenclature and the Additional Notes of the EC*, 2 *World Customs Journal* 1 (2008), 111–115.
 - 5 See Weerth (2008a), *Basic Principles of Customs Classifications under the Harmonized System*, 3 *Global Trade and Customs Journal* 2 (February), 61–67.
 - 6 See Weerth, as note 3 above.

Table 1: Number of HS Headings and HS Subheadings in 1988 (HS 1988), 1996 (HS 1996), 2002–2006 (HS 2002)⁹ and 2007 (HS 2007)¹⁰

Year	1988	1996	2002	2003	2004	2005	2006	2007
HS heading	1,241	1,241	1,244	1,244	1,244	1,244	1,244	1,221
HS subheading	5,019	5,338	5,223	5,244	5,224	5,224	5,224	5,052

Table 2: Number of CN Subheadings in 1996 (HS 1996), 2002–2006 (HS 2002), 2007 and 2008 (HS 2007)¹⁶

Year	1996	2002	2003	2004	2005	2006	2007	2008
CN subheadings	10,518	10,400	10,404	10,174	10,096	9,842	9,720	9,699

(CN) by help of the CN Regulation (EEC) No. 2658/87⁷ (eight-digit code) and it shows examples of the new emerging gaps of the HS nomenclature.

II. EVOLUTION OF HS HEADINGS, HS SUBHEADINGS AND CN SUBHEADINGS

The basic structure of the HS nomenclature has been in use since 1988 and unaltered – 21 sections (Roman numbers) and 96 chapters with two Arabic numbers (01–76 and 78–97; Chapter 77 is not in use).

The number of HS headings and HS subheadings has changed moderately (see Table 1).⁸

In 1988, the HS nomenclature consisted out of 1,241 HS headings and 5,019 HS subheadings.¹¹ With the first revision of HS 1992, only spelling errors were corrected, but with the second revision that was effective from 1 January 1996 (HS 1996), first changes within the customs tariff schemes were made. Further revisions were effective from 1 January 2002 (HS 2002) and 2007 (HS 2007). In 2002, the HS nomenclature consisted of 1,244 HS headings and 5,224 HS subheadings.¹² The revision of HS 2007 contained further changes: the number of HS headings fell from 1,244 to 1,221 and the number of HS subheadings falls from 5,224 to 5,052.

The HS nomenclature is the basis of Europeans Combined Nomenclature (CN). According to CN Regulation Article 1(2), the CN contains:

- (a) the harmonized system nomenclature;
- (b) Community subdivisions to that nomenclature, referred to as ‘CN subheadings’ in those cases where a corresponding rate of duty is specified;
- (c) preliminary provisions, additional section or chapter notes and footnotes relating to the CN subheadings.¹³

The nomenclature of the CN is contained in CN Regulation Annex 1, in which there are also the tariffs of the Common Customs Tariff (CCT) according to CN Regulation Article 1(3) and, where applicable, the statistical measure units and further requirements that must be presented.

In 2007, the CN nomenclature consisted of 21 sections, 96 chapters, 1,221 HS headings, 5,052 HS subheadings and 9,720 CN subheadings¹⁴; in 2008 the number of CN subheadings has been further reduced to 9,699.¹⁵ The number of eight-digit codes is varying significantly, however, and is falling continuously (see Table 2).

Notes

7 OJ EC 1987 No. L 256/1.

8 All tables and Figure 1 have been researched as part of the author’s PhD thesis, *Einheitliche Anwendung des Gemeinsamen Zolltarifs beim Zugang zum Europäischen Binnenmarkt?* (Dissertation, Universität Oldenburg), [Uniform Application of the Common Customs Tariff at Market Entry to the EC Common Market?] (PhD thesis, accepted 23 August 2007) (Göttingen: Sierke Verlag, 2007). Table 1 (corresponds to Table 15); Table 2 (Table 16 (updated)); Table 3 (Table 17); Table 4 (Table 18); Table 5 (Table 19), Table 6 (Table 20); Figure 1 corresponds to Figure 1 (Weerth, 2007c).

9 See DESTATIS (Federal Statistical Service of Germany), WA (2002–2006 editions), p. XI; for the data from 1988, see Stobbe, ZfZ (1998), 44.

10 See DESTATIS, WA (2007), p. XI.

11 See as note 9 above.

12 See DESTATIS, WA (2006), p. XI.

13 So the legal text of CN Regulation Article 1(2).

14 See DESTATIS, WA (2007), p. XI.

15 Ibid.

16 See DESTATIS, WA (2002–2008 editions), p. XI.

III. EXAMPLES OF NEW GAPS IN THE HS NOMENCLATURE

By regular revisions of the HS nomenclature, single HS headings are cancelled or added due to changes of the trade patterns or due to technical progress.

The World Customs Organization (WCO) compiled general principles of the numeration of new or modified subheadings and the reuse of cancelled HS codes.¹⁷

The numbers of HS headings or subheadings was only changed when the terms of the heading or subheading was changed and the scope of goods was altered fundamentally – however, that was done on the condition that these were still fitting into the structure of the HS nomenclature. In some cases, the HS subheadings were put into new subheadings, though the goods represented remained the same. On the other hand, some contents of HS subheadings were changed fundamentally, although the number of HS subheading remained the same.

These general principles of the numeration of new or modified headings and subheadings can result in emerging gaps when old HS headings or subheadings are cancelled and not used again, so that the continuous numbers of headings and subheadings are punctured with gaps – that will happen in the future more and more.¹⁸

With HS 1996, a first gap emerged in Chapter 15, when heading 1519 was cancelled.

With HS 2002, gaps emerged also in chapters 25, 41 and 85 (cancellation of six headings).

With the revision of HS 2007 gaps are also emerging in chapters 05, 14, 28, 42, 44, 48, 53, 65, 70, 74, 78, 79, 80, 84, 85, 90, 92 and 95. Older gaps in chapters 15, 27 and 41 were not merged with HS 2007, however the HS heading 8508 was reused.

Figure 1: HS Headings (34) Not in Use in HS 2007¹⁹

0503, 0509, 1402, 1403, 1519, 2527, 2838, 2851, 4108, 4109, 4110, 4111, 4204, 4815, 5304, 6503, 7012, 7414, 7416, 7417, 7803, 7805, 7906, 8004, 8005, 8006, 8485, 8520, 8524, 9009, 9203, 9204, 9501, 9502.
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Examples

With HS 2002, the structure of the whole of Chapter 41 (Raw hides and skins (other than furskins) and leather), was reorganized because of new industrial conditions.

Table 3: The Gap in Chapter 41, HS 2002

HS 1996	HS 2002
4107	4107
4108	–
4109	–
4110	–
4111	–
–	4112
–	4113
–	4114
–	4115

The HS headings 4108, 4109, 4110 and 4111 were cancelled. These HS codes were not used again in HS 2002 – a gap emerged within the nomenclature. These goods were comprised of the new HS headings 4112, 4113, 4114, 4115 and further HS headings.

More gaps emerged with HS 2002 in its chapters 25 and 85, because HS headings 2527 and 8508 were cancelled – overall six HS headings were not in use in HS 2002.²⁰

However, nine new HS headings – 3825, 4112, 4113, 4114, 4115, 6003, 6004, 6005 and 6006 – were also created.

Examples

With the revision of HS 2007, the HS headings 7414, 7416 and 7417 of Chapter 74 (Copper and articles thereof) were cancelled due to small volume of trade. The HS headings and codes are not in use in the HS 2007 – a gap emerges within the tariff scheme. The same applies for HS headings 8004–8006 of Chapter 80 (Tin and goods thereof), for headings 8520 and 8524,²¹ for

Table 4: The Gaps in Chapter 74, HS 2007

HS 2002	HS 2007
7414	–
7415	7415
7416	–
7417	–
7418	7418

Notes

17 See Wind, as note 2 above.

18 See Weerth (2001), AW-Prax (2001), 374.

19 See Weerth, as note 3 above.

20 See Weerth, as note 18 above.

21 See Weerth (2007b), AW-Prax (2007), 51–52.

Table 5: The Gaps in Chapter 80, HS 2007

HS 2002	HS 2007
8003	8003
8004	–
8005	–
8006	–
8007	8007

Table 6: The Gaps in Chapter 92, HS 2007

HS 2002	HS 2007
9201	9201
9202	–
9203	–
9204	9204

headings 9202–9203 of Chapter 92 (Musical instruments; parts and accessories of such Instruments) and for HS headings 9501–9502.²²

IV. CONCLUSION

The HS nomenclature has evolved during the past 20 years (1988–2008). The number of HS headings has remained more or less the same, and the number of the HS subheadings increased at first and then fell back to its original level. The number of CN subheadings has fallen from 1996 from about 10,500 to about 9,500.

Revisions of the HS nomenclature have resulted in more and more gaps in the tariff scheme. With the revision of HS 1996, at first only one heading was cancelled, and with the revision of the HS 2002 six more headings were cancelled. By the revision of HS 2007, 34 headings are not in use within the HS nomenclature. This trend is growing strongly. In addition to the non-usage of Chapter 77 (which was not in use from the beginning of the

HS nomenclature), 34 HS headings are no longer in use – a sign of the evolution and maturity of the HS nomenclature.

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Notes

²² Ibid., 51.