Jacobsens: Customs News Bulletin

Latest News

UNDERSTANDING THE ROLE OF CLASSIFICATION SYSTEMS IN INTERNATIONAL TRADE STATISTICS

There are many classification systems (Nomenclatures) in international trade, each of them with a very specific purpose. None of these systems should be used in isolation.

These classification systems play an instrumental role in statistics. For all these systems to be effective, it is important that systems are harmonized throughout the World, and that they are compatible.

Initiatives to start the harmonization process started in the 1970's.

The most important Nomenclatures have either been developed by the United Nations, or the United roles participated actively in the development of these systems.

These systems are product or activity related and countries use them as a basis for the collection, compilation or analysis of trade and economic activities. The Nomenclatures of the United Nations are mainly responsible for the classification of goods in international trade, therefore it is important that everyone with an interest in international trade must understand these systems and how they relate to one another.

The Central Product Classification (CPC) is a product classification system covering goods and services. In developing CPC, the main intention was to provide a general framework for international comparison of data from various types of statistics that present data by kinds of product. One of the main features of the CPC as a general-purpose classification system is that it provides less detail than specific classification systems (Nomenclatures) in areas or for applications for which such systems are available.

The United Nations International Standard Industrial Classification of All Economic Activities (ISIC) is also a general-purpose classification system. The ISIC, however, represents the activity side of these classification systems. Each sub-class of the CPC consists of goods or services that are predominantly produced in a specific class or classes of the ISIC.

According to the United Nations International Trade Statistics Knowledge base website, the original Classification by Broad Economic Categories (BEC) was produced in 1961 to provide a means for international trade statistics to be analysed by broad economic categories such as food, industrial supplies, capital equipment, consumer durables and consumer non-durables. The original BEC was linked to the Standard International Trade Classification (SITC). (Two revisions of BEC were produced to coincide with revisions of SITC, and a third revision made technical corrections). The current publication provides links between BEC and the Harmonized Commodity Description and Coding System as well as to the basic classes of goods in the System of National Accounts (consumption goods, intermediate goods, capital goods). Each of the 3,121 SITC headings is correlated to one of the nineteen BEC basic headings, as are the more than five thousand subheadings of the HS.

The Statistical Commission, Conference of European Statisticians and the secretariats of international organizations such as the Customs Co-operation Council (CCC), which is the formal working name of the World Customs Organization (WCO) agreed at various meetings between 1972 and 1973 that there was a need to improve harmonization among the various classifications in the economic and other fields that had been prepared under the auspices of the United Nations and other international bodies.

Development work of the Harmonized System (HS) which was developed from the Customs Co-operation Council Nomenclature (CCCN) started in 1973. At the request of the Statistical Commission and the invitation of the CCC the Statistical Office of the United Nations Secretariat participated intensively in the development of the HS, to ensure that the HS would take into account as much as possible continuity with the Standard International Trade Classification (SITC), Revision 2,/3/ and the industrial origin of the goods. The HS was approved by CCC in June 1983 and entered into force in January 1988.

The United Nations recommend that countries use the Harmonized Commodity Description and Coding System (HS) for the collection, compilation and dissemination of international merchandise trade statistics as suggested by the Statistical Commission at its twenty-seventh session (22 February to 3 March 1993). In accordance with the preamble to the HS Convention, which recognized the importance of ensuring that the HS be kept up to date.

In light of changes in technology or in patterns of international trade, a new version of the HS is published every 5 years. The sixth edition, HS 2017, came into effect 1 January 2017. The seventh edition of the HS, HS 2022 will come into effect on 1 January 2022. Currently 30 sets of amendments to the Nomenclature were adopted by the WCO while some decisions were submitted to the HS Review Sub-Committee (RSC) for consideration of possible amendments to the HS 2017 Nomenclature, particularly on issues relating to the environment and human security or for the clarification of texts on the classification of goods such as, for instance, light-emitting diode products and flat-screen display units. The recommendation to amend the HS 2017 Nomenclature will be published around June 2019.

The Standard International Trade Classification (SITC) which was previously used by countries in data compilation and reporting has been recognized for its continued use in analysis. (Source: 2016 International Trade Statistics Yearbook published by the United Nations Department of Economic and Social Affairs Statistics Division, page ix, paragraph v ("Classification").

Visit https://unstats.un.org/unsd/tradekb/Knowledgebase/50020/HS-SITC-and-BEC-conversion-and-correspondence-tables for more information about the different Nomenclatures and their relationship by production.

Customs Tariff Applications and Outstanding Tariff Amendments

The International Trade Administration Commission (ITAC) is responsible for tariff investigations, amendments, and trade remedies in South Africa and on behalf of SACU.

Tariff investigations include: *Increases in the customs duty rates in Schedule No. 1 Part 1 of Jacobsens. These applications apply to all the SACU Countries, and, if amended, thus have the potential to affect the import duty rates in Botswana, Lesotho, Namibia, Swaziland and South Africa.*

Reductions in the customs duty rates in Schedule No. 1 Part 1. These applications apply to all the SACU Countries, and, if amended, thus have the potential to affect the import duty rates in Botswana, Lesotho, Namibia, Swaziland and South Africa.

Rebates of duty on products, available in the Southern African Customs Union (SACU), for use in the manufacture of goods, as published in Schedule No. 3 Part 1, and in Schedule No. 4 of Jacobsens. Schedule No. 3 Part 1 and Schedule No. 4, are identical in all the SACU Countries.

Rebates of duty on inputs used in the manufacture of goods for export, as published in Schedule No. 3 Part 2 and in item 470.00. These provisions apply to all the SACU Countries.

Refunds of duties and drawbacks of duties as provided for in Schedule No. 5. These provisions are identical in all the SACU Countries.

Trade remedies include: *Anti-dumping duties (in Schedule No. 2 Part 1 of Jacobsens), countervailing duties to counteract subsidisation in foreign countries (in Schedule No. 2 Part 2), and safeguard duties (Schedule No. 2 Part 3), which are imposed as measures when a surge of imports is threatening to overwhelm a domestic producer, in accordance with domestic law and regulations and consistent with WTO rules.*

To remedy such unfair pricing, ITAC may, at times, recommend the imposition of substantial duties on imports or duties that are equivalent to the dumping margin (or to the margin of injury, if this margin is lower).

Countervailing investigations *are conducted to determine whether to impose countervailing duties to protect a domestic industry against the unfair trade practice of proven subsidised imports from foreign competitors that cause material injury to a domestic producer.*

Safeguard measures, *can be introduced to protect a domestic industry against unforeseen and overwhelming foreign competition and not necessarily against unfair trade, like the previous two instruments.*

Dumping *is defined as a situation where imported goods are being sold at prices lower than in the country of origin, and also causing financial injury to domestic producers of such goods. In other words, there should be a demonstrated causal link between the dumping and the injury experienced.*

The International Trade Commission of South Africa (ITAC) also publishes Sunset Review Applications in relation to anti-dumping duty in terms of which any definitive anti-dumping duty will be terminated on a date not later than five years from the date of imposition, unless the International Trade Administration Commission determines, in a review initiated before that date on its own initiative or upon a duly substantiated request made by or on behalf of the domestic industry, that the expiry of the duty would likely lead to continuation or recurrence of dumping and material injury.

The International Trade Administration Commission of South Africa (ITAC) has received the following application concerning the amendment of the Common External Tariff (CET) of the Southern African Customs Union (SACU). The Member States of the Southern African Customs Union are Botswana, eSwatini (previously Swaziland), Lesotho, Namibia and South Africa. In other words, South Africa and the BELN-Countries (previously BLNS-Countries).

An application was received for an increase in the general rate of Customs duty on frozen meat and edible offal of fowls of the species *Gallus domesticus*, with specific reference to bone-in portions classifiable under tariff subheading 0207.14.9 and boneless cuts classifiable under tariff subheading 0207.14.1 from 37 per cent ad valorem and 12 per cent ad valorem, respectively, to 82 per cent ad valorem.

The following investigating officers at ITAC should be contacted:

- Reference (10/2018): Mr Jacob Mtimkulu, e-mail: jmtimkulu@itac.org.za / Mr Oatlhotse Madito, e-mail: omadito@itac.org.za / Ms Dolly Ngobeni, e-mail: dnogobeni@itac.org.za or Ms Manini Masithela, e-mail: mmasithela@itac.org.za.

Written representations on all applications must be made within a period of four (4) weeks of the date of the notices, which were published in *Government Gazette* No. 42068 of 30 November 2018. Comments are thus due by Friday 28 December 2018.

List 09/2018 was published under Notice No. 760 of 2018, in *Government Gazette* No. 42068 of 30 November 2018.

Enquiries may be directed to the investigating officer, Mr Siphumelele Mkwanazi at tel: (012) 394 -3742 or Ms Portia Mathebula at tel: (012) 394-1456.

Customs Tariff List 08/2018 was published under Notice No. 726 in *Government Gazette* No. 42053 of 23 November 2018.

Customs Tariff Amendments

With the exception of certain parts of Schedule No. 1, such as Schedule No. 1 Part 2 (excise duties), Schedule No. 1 Part 3 (environmental levies), Schedule No. 1 Part 5 (fuel and road accident fund levies), the other parts of the tariff are amended by SARS based on recommendations made by ITAC resulting from the investigations relating to Customs Tariff Applications received by them. The ITAC then investigates and makes recommendations to the Minister of Trade and Industry, who requests the Minister of Finance to amend the Tariff in line with the ITAC's recommendations. SARS is responsible for drafting the notices to amend the tariff, as well as for arranging for the publication of the notices in Government Gazettes.

Parts of the South African Tariff are not amended resulting from ITAC recommendations.

These parts (for example Parts of Schedule No 1 other than Part 1 of Schedule No. 1), must be amended through proposals that are tabled by the Minister of Finance, or when the Minister deems it expedient in the public interest to do so.

Once a year, big tariff amendments are published by SARS, which is in line with the commitments of South Africa and SACU under international trade agreements.

Under these amendments, which are either published in November or early in December, the import duties on goods are reduced under South Africa's international trade commitments under existing trade agreements.

Various amendments to the Common External Tariff (CET) of the Southern African Customs Union (SACU) were published in the *Government Gazette* No. of 30 November 2018.

Temporary rebate provisions have been created for the importation of certain flat-rolled steel products to be used in the manufacture of various products in the automotive industry, subject to an import permit by ITAC, as recommended in ITAC Report No. 586.

The notices to implement these recommendations were published in *Government Gazette* No. 42064 of 30 November 2018. (Notices R. 1323 to R. 1325 refers).

Consequential to the amendment above, the safeguard duty provisions on flat-rolled steel products have been amended to exclude flat-rolled steel products which qualify for the rebate provisions from payment of safeguard duties.

Customs Rule Amendments

The Customs and Excise Act is amended by the Minister of Finance. Certain provisions of the Act are supported by Customs and Excise Rules, which are prescribed by the Commission of SARS. These provisions are numbered in accordance with the sections of the Act. The rules are more user-friendly than the Act, and help to define provisions which would otherwise be unclear and difficult to interpret.

Forms are also prescribed by rule, and are published in the Schedule to the Rules.

There were no amendments to the Customs and Excise Rules at the time of publication. The latest amendment to the Customs and Excise Rules (DAR 177) was published in *Government Gazette* No. 41798 of 27 July 2018.

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