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LEAGUE OF NATIONS

UNIFICATION OF CUSTOMS NOMENCLATURE

REPORT

SUBMITTED TO THE ECONOMIC COMMITTEE
BY THE SUB-COMMITTEE OF EXPERTS ON THE OCCASION
OF THE ELEVENTH ASSEMBLY

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I. PRESENT POSITION OF WORK.

It was in July 1927 that the Economic Committee of the League of Nations instructed the Sub-Committee of Experts to prepare a scheme for the unification of Customs nomenclature. More than three years, therefore, have now been devoted to this work.

It may seem surprising that so long a period was necessary to draw up a unified Customs nomenclature.

If the question is considered in detail, however, and if the difficulties attached to so important a piece of work are realised, it is astonishing that it should have been achieved at all.

The World Economic Conference of May 1927 no doubt did not foresee the innumerable obstacles that had to be surmounted before a unified Customs nomenclature could be drawn up. When it recommended the Council of the League of Nations "to take the initiative in drawing up an appropriate procedure for establishing, in liaison with the producing and commercial organisations concerned, a systematic Customs tariff nomenclature in accordance with a general plan covering all classes of goods", it had in mind the importance of the aim in view; but it did not take into account the numerous obstacles which would inevitably be encountered in a work of this kind.

These difficulties were brought to the notice of the Economic Committee as the work of the Sub-Committee of Experts advanced. The advice and approval which the Economic Committee on various occasions gave the Sub-Committee enabled the latter to continue its work, feeling that it saw completely eye to eye with those who had entrusted it with its task.

To-day, after the Sub-Committee has devoted twelve sessions to its work, the nomenclature has progressed so far as to enable a very clear idea to be obtained of its ultimate form.

Of the twenty-one sections into which the main classes of commodities to be included in the Customs nomenclature have been divided, fourteen are now complete.

These fourteen sections comprise all the products of the animal and vegetable kingdoms; fatty substances, greases and oils; products of the food-preparing industries, and beverages; mineral products; chemical and pharmaceutical products and the various productions of the chemical industry (colours, varnishes, perfumery, soap, fertilisers, etc.); skins, hides and



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peltries ; rubber and articles made of rubber ; wood' cork and plaiting materials ; paper and its applications ; textile materials (silk, wool, cotton, flax, hemp, jute, ramie, etc.) and wares of those materials ; precious metals, base metals and machinery.

Some of these sections are among the most important in Customs nomenclature—*e.g.*, chemical and pharmaceutical products, textile materials, metallurgical products and machinery.

2 IMPOSSIBILITY OF COMPLETING THE WORK IN TIME FOR THE ELEVENTH ASSEMBLY.

(a) The Assembly of the League has been kept informed, through the Economic Committee, of the progress made by the Sub-Committee of Experts. The report submitted on September 17th, 1929, by Dr. Breitscheid on the League's economic work stated that the Sub-Committee of Experts entrusted with preparing a scheme for a unified Customs nomenclature had proved that the work could be carried out, but added that experience had already demonstrated how difficult the task was. The Second Committee of the Assembly then insisted very strongly that "the work of the experts should be pushed on with all possible speed in order that the complete draft may be terminated before the next session of the Assembly".

The report added, however, that this would not be possible unless the Committee of Experts spent more time on its work than hitherto.

As a result of the findings of this report, the tenth Assembly adopted in September 1929 the following resolution :

"The Assembly,
"Notes that the establishment of a simplified and unified Customs nomenclature is necessary for the conclusion of collective tariff agreements ;
"Considers that the Committee of Customs Experts should have completed the preparatory work entrusted to it before the meeting of the eleventh Assembly and that no efforts should be spared to obtain this result."

(b) The Sub-Committee has never failed to realise the importance of completing the unified Customs nomenclature with all speed.

It would very much have liked to complete this work within the period allotted (*i.e.*, before the eleventh Assembly met). Allowance must be made, however, for the difficulties encountered in drawing up the nomenclature.

In the first place, the experts drawing up the preliminary draft classification of the various sections and chapters have to devote a considerable part of their time to preparing these preliminary drafts. It is not enough to classify in a systematic order the various products and goods mentioned in the framework drawn up in 1928. Those products and goods have to be grouped together with due reference to the rules already adopted in most tariffs. A comparative study of these tariffs is thus essential if the unified nomenclature is to be as nearly as possible in accord with the rules commonly followed in the classification of goods. That condition is essential to enable the new nomenclature to be accepted without difficulty by the countries which have not collaborated in preparing it.

Then, again, in order to take duly into account the recommendation expressed by the World Economic Conference of 1927, the experts must work "in liaison with the producing and commercial organisations concerned". This means that preliminary understandings must be reached with representatives of groups of producers, syndicates, and even international cartels.

As will be realised, enquiries of this kind, which are carried out, not only by the members of the Committee of Experts reporting on the subject, but also by each of the experts in his own country, take a long time and are very complex and difficult.

This work carried on by the experts, in addition to the sessions which they hold every year, occupies a considerable part of their time. Moreover, the experts were chosen as being specialists in Customs matters, and each of them has his own very exacting work in his own country and for his Government, so that there could be no question of establishing a permanent organisation requiring the presence of the experts at Geneva for a whole year.

For all these reasons the unified Customs nomenclature could not be completed in time for the eleventh Assembly. There still remain to be drawn up the chapters relating to wares of stone and glass ; electrical material ; means of transport ; scientific and precision instruments and apparatus ; watch- and clock-makers' wares ; musical instruments and some articles of minor importance, such as footwear, hats, umbrellas, articles of fashion, games and toys, etc.

(c) The unified Customs nomenclature could not be completed in time for the eleventh Assembly, because it was a practical impossibility to do so. The constant aim of the Sub-Committee of Experts was to produce a nomenclature which should make due allowance for the degree of perfection reached in the various industries and for trade customs, and should, at the same time—a most important point—be both complete and simple in structure. Apart from the nomenclature itself, the Sub-Committee bore in mind the advantages that would ensure for commercial statistics, for example, which, if based on a unified nomenclature, would become mutually comparable. It was fully alive, too, to the immense advantage of the

nomenclature for the conclusion of collective tariff conventions, as, indeed, the Economic Committee had already foreseen.

This, then, is the complex and difficult work, fraught with far-reaching consequences for future international economic relations, which the Sub-Committee of Experts set itself to accomplish with a tenacity of purpose from which no difficulty has yet turned it aside. It asks the Economic Committee not to compel it to incur the risks due to over-precipitation in the work which it has taken in hand, and which it is now certain of bringing to a successful conclusion.

3. COMPLETION OF THE UNIFIED NOMENCLATURE AND EXPLANATORY NOTES ANTICIPATED BY THE END OF THE FIRST HALF OF 1931.

The Sub-Committee of Experts at present anticipates holding a session towards the end of the current year—beginning on November 12th—and another at the beginning of 1931.

Unless unforeseen circumstances intervene, the Sub-Committee expects the unified Customs nomenclature to be entirely completed by the end of the first half of 1931.

In its final form, the nomenclature will be a table classifying scientifically and systematically, by chapters and articles, the immense variety of products composing international trade.

However logically this classification is carried out, explanatory notes are necessary. Such occur in all Customs tariffs, which, besides the list of duties, have an elucidatory commentary generally entitled *Explanatory Notes on the Tariff*.

In drawing up the draft nomenclature, the Sub-Committee prepared, chapter by chapter, an *explanatory commentary* to make clear the reasons which guided the Sub-Committee in its classification. These comments also show, more explicitly than the nomenclature items themselves, the various categories of products or goods included under a given Customs item. They also mention the articles included in the general items which occur in every tariff and are commonly known as "miscellaneous items".

The explanatory notes on the unified Customs nomenclature will thus automatically be ready at the same time as the nomenclature itself.

It would then be desirable for the tables constituting the unified Customs nomenclature and the chapters of explanatory notes to be published in a similar way to the draft framework previously drawn up by the Sub-Committee (document C.346.M.103.1928.II.).

In this form, the nomenclature and the commentary thereon may be brought to the notice of all countries, both Members and non-Members of the League of Nations.

4. SUGGESTED PROCEDURE TO FACILITATE THE ADOPTION OF THE UNIFIED NOMENCLATURE BY THE VARIOUS STATES.

The League's object should be to secure, in as many cases as possible, the substitution of the unified nomenclature for the nomenclatures at present in use. This condition is essential, indeed, if the benefits referred to above are to be reaped.

Some countries have already decided on their own initiative—when revising their Customs tariffs—to adopt, at all events, the parts of the unified nomenclature already completed. This has been done, for example, by the Egyptian Government, which appointed an expert committee for the purpose. Already, more than half the nomenclature of the Egyptian Customs tariff is the same as that prepared at Geneva; and, as regards the rest, the experts preparing the new Egyptian tariff have taken as their basis the draft framework drawn up by the experts in 1928. Similarly, Sweden has now revised her nomenclature largely on the basis of the Geneva nomenclature. This example will probably be followed by Poland also. Other countries—France, for example—are waiting until the unified nomenclature is finished in order to make it the basis of their own tariffs.

These examples show how favourably the unified Customs nomenclature would be received. Before it can be used as the basis for Customs tariffs in general, however, it may have to be amended in some respects.

One of the essential conditions to enable the Sub-Committee's work to be satisfactorily carried out was that the Committee should not be too large. Work of this kind cannot be done in the atmosphere of a large assembly. The Geneva nomenclature was prepared by seven experts only—all European. Apart from the experts chosen by the Economic Committee, other equally competent persons belonging to other countries will probably wish to submit criticisms or observations, to which due attention must be given. In these circumstances, the future stages of the work may be anticipated to be as follows :

(a) In order to obtain these observations and criticisms, the nomenclature drawn up by the Sub-Committee should be communicated to the various Governments with a request to have it studied by the competent administrations and economic organisations concerned.



(b) The observations submitted would then be laid before the Sub-Committee, which would decide—if necessary with the assistance of the authors of the observations—whether and how far its original draft should be modified.

(c) For this purpose, a special session might be held at the end of 1931. In this way, the countries whose representatives did not collaborate in preparing the unified Customs nomenclature would have an opportunity of becoming acquainted with the work, examining it and discussing it.

(d) Lastly, both the World Economic Conference of May 1927 and the Preliminary Conference with a View to Concerted Economic Action, held at Geneva in February and March 1930, contemplated the convening of a future Conference which would, *inter alia*, have to determine the procedure to be followed in adopting the unified nomenclature as soon as the technical bases of an international agreement for that purpose were established.

5. SUGGESTED MEANS OF PRESERVING THE UNITY OF THE NOMENCLATURE AFTER ITS ADOPTION.

A question of capital importance will then arise, and the way in which it may be settled cannot be disregarded, because it is directly connected with the Sub-Committee's work.

The question is this : When the unified nomenclature is duly embodied in the Customs laws of a number of countries, how can its application be prevented from giving rise once more to differences and discrepancies such as exist to-day in Customs nomenclature ?

These differences and discrepancies would inevitably recur in a few years' time if the countries adopting the unified nomenclature were wholly free to settle in different ways the questions of application which will arise.

For example, when new industrial products are introduced in world trade, special items will have to be made for them in the unified nomenclature, or they will have to be so classified as to be assimilated to some product already included in the nomenclature.

These cases of fresh classification will be fairly frequent, in view of the rapid development of industry. Moreover, the Customs nomenclature obviously cannot mention every single article, product and commodity included in international trade. A nomenclature must always have general headings, often covering dozens of products made from the same components or used for the same purposes and having an approximately equal value. The "*general tariff list*" to be added to the "*explanatory notes*" will show where each article, product or commodity must be placed in the general nomenclature classification.

In order that the nomenclature may retain its uniform character, the Customs classification must be carried out in the same way in all tariffs ; otherwise, the unified nomenclature would rapidly lose the essential characteristic which it must always preserve—namely, that any given product must be certain of being classified in the same order and under the same heading in the nomenclature, in the explanatory notes and in the list.

For this purpose, the various Customs classifications, whether of new products or of products the classification of which is uncertain, must be effected in a uniform manner in all countries accepting the unified nomenclature.

The Convention to be concluded might, for this purpose, provide for a periodical meeting of experts of the countries concerned in order to examine applications received for classification. The same Committee might also be asked to examine questions arising out of the interpretation of the Customs nomenclature, but would not deal with tariff questions.

The above are the suggestions which the Sub-Committee wishes to submit to the Economic Committee. It would be glad to learn that its proposals are accepted by that Committee and by the Assembly of the League.
