



Technical Report:

Migration of the SADC Tariff Phase Down Offers from HS2002 to HS2007

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INTRODUCTION

Harmonization of nomenclature for all product commodities is necessary to ensure uniformity in the flow of international trade. The International Convention on the Harmonized Commodity Description and Coding System (“Harmonized System” or “HS”) entered into force on 1st January 1988. The Harmonized System is a multipurpose 6-digit nomenclature and a structured nomenclature based on a series of subdivided 4-digit headings (WCO, 1988). The HS nomenclature is comprised of more than 5,000 categories of goods identified by a 6-digit code and is provided with appropriate definitions and General Interpretative Rules to ensure its uniform application. The HS consists of approximately 1200 four-digit headings and 5,000 six-digit subheadings organized in 21 Sections and 97 Chapters, which theoretically cover all commodities in international trade. These headings and subheadings, along with the General Rules of Interpretation and Section and Chapter Notes comprise the legal text of the Harmonized System.

With the changes in technology and patterns in international trade the World Customs Organization (WCO) undertakes a periodic review of the tariff nomenclature and recommends amendments to the HS. The first set of such changes came into force on 1 January 1992 commonly referred to as HS92. The second in January 1996 was more substantial (HS96) and the system was amended again in 2002 (HS2002). The most recent amendment entered into force on 1 January 2007 (HS2007).

When initially negotiated, the Southern Africa Development Community (SADC) Tariff Phase Down Offers were stated in terms of HS1996 nomenclature – and later updated to HS2002. While Member States have continued to upgrade their customs codes and operations in line with the HS changes, the reference to the original offers has never been agreed. The transformation of the original offers to HS2007 is important to ensure clarity in the application of the SADC tariff rates among Member States.

At the request of the SADC Secretariat, the USAID Southern Africa Global Competitiveness Hub (the Trade Hub) undertook an exercise to update the original offers to HS2007. In conjunction with the submission of the 2010 Trade Audit, the revised offers will be made available in CD form to all Member States. These should be considered **draft** schedules only. The next step will be for the Member States to review, edit and formally agree to the revised offers. The following sections highlight the process by which the transformation was completed.

12 updated offers were prepared for each of the SADC Member States participating in the SADC Protocol on Trade: Botswana, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe. These revised offers were submitted to the SADC Secretariat and distributed to Member States at the June 26-28, 2010 Trade Negotiating Forum meetings.¹

METHODOLOGY

The transposition of schedules to HS2007 is important to ensure uniformity of tariff and various tariff concessions at both regional and international trade level. For SADC, it becomes important in line with the tariff elimination objectives under the SADC Protocol on Trade. In some instances, the amendments cover alteration of product codes, and in some instances product descriptions. Amendments may take the form of a merger of some

¹ Madagascar is currently under suspension from SADC although still a beneficiary of preferences associated with the FTA. The Madagascar schedule was submitted directly to the SADC Secretariat.

product lines, separation or split, or a combination of both. The process by which the transformation of the schedules was completed included the following:

- Changing all product lines from HS2002 to HS2007. This involved the merging/demerging of lines that have been amended by the WCO. Table A1 below provides an example of how the transposition was made – the particular example selected demonstrates a demerging of lines.
- A line-by-line product review of the nomenclature. Most prior amendments had not been done well, with the result that some tariff books had gaps and/or errors. As a result, some of the work included correcting the HS descriptions or codes that may have been wrongly entered.
- Transposing the Tariff Phase Down Offers into HS2007. The transpositions did not only cover one current year but encompassed the entire schedules, up to either 2012, or 2015, or 2008 in the case of South Africa.

Table 1: Transposition Example

HS2002			HS2007	
HS Code	Product description		HS Code	Product description
0603	Cut flowers and flower buds of a kind suitable for bouquets or for ornamental purposes, fresh, dried, dyed, bleached, impregnated or otherwise prepared.		0603	Cut flowers and flower buds of a kind suitable for bouquets or for ornamental purposes, fresh, dried, dyed, bleached, impregnated or otherwise prepared.
060310	- Fresh		06031	- Fresh
060390	- Other		060311	--Roses
			060312	--Carnations
			060313	--Orchids
			060314	--Chrysanthemums
			060319	--Other
			060390	- Other

Tables A2 and A3 illustrate how this change in the nomenclature is changed into the revised tariff phase down offer. Table 2 illustrates the original offer and Table 3 the transposed offer. In the example, the tariff applied to the HS2002 single tariff line is assumed to cover the newly created HS2007 lines.

Table 2: Example Member State's Tariff Book for Roses in terms of HS2002

HS Code	Description	Category	2000	2001	2002
6031000	- Fresh	B	13	7	0
6039000	- Other	B	13	7	0

Table 3: Example Member State's Tariff Book for Roses in terms of HS2007

HS Code	Description	Category	2000	2001	2002
603.1	Fresh:	B	13	7	0
603.11	Roses	B	13	7	0
603.12	Carnations	B	13	7	0
603.13	Orchids	B	13	7	0
603.14	Chrysanthemums	B	13	7	0
603.19	Other	B	13	7	0
603.9	Other	B	13	7	0

The creation of new lines within a category should not be a problem since they would fall under the same heading, and in most cases bear the same level of tariff concession. In the above instances it is therefore recommended that the new categories have the same tariff line as in the main heading. This may differ in instances where lines in the same product class have different rates. Reference to transposition is made to the information provided by the WCO which is included in the WTO documents which offers some guidance as to the manner in which such issues are to be addressed.²

In all instances Member should ensure that the draft HS07 tariff concessions reflect fully the same level of concessions as their HS2002 or in their original offers. Also considering that with the SADC FTA most of the tariff lines are at zero, transposition of the tariff lines should not affect concessions by moving away from deeper tariff eliminations. In this instance, mainly Category C- Sensitive products will be affected in as far as rate of duty is concerned. Therefore, amendments in these drafts are done in a manner that countries do not alter, but still maintain their tariff reduction commitments, be it in international trade, or regional trade. Member States should review the drafts and ensure that all their concessions have been updated in the manner they initially made that fully captures their initial levels of commitments.

CONCLUSIONS

The updated schedules were submitted to the SADC Secretariat and Member States at the June 2010 Trade Negotiating Forum Meetings. The schedules were adopted by the Secretariat who will now work with Member States to finalize adoption. It will be important for the Secretariat to push for early agreement with the Member States as the tariff phase downs proceed. This concludes the Trade Hub's work on this initiative.

² Find references at <http://docsonline.wto.org/DDFDocuments/t/G/C/W565.doc>