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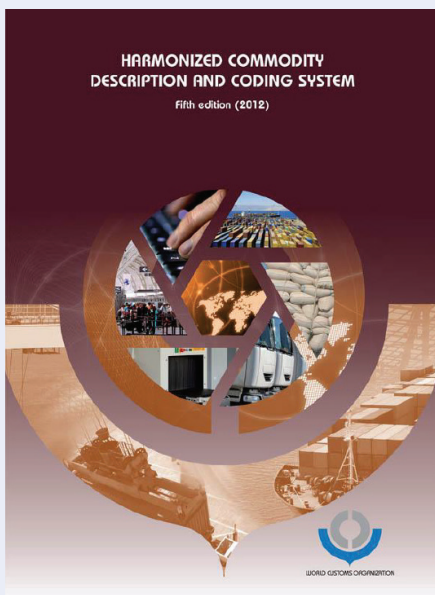
real experiences, real development

Working with Tajikistan to Develop Its First National Commodity Nomenclature of Foreign Economic Activities

One of the most important instruments of trade facilitation is the commodity nomenclature, which provides a definition of all goods subject to foreign trade. The correct classification of goods forms the basis for determining the appropriate value of a good and for determining the customs duties imposed on a good on import or export. Customs statistics on foreign trade are derived from it, and those statistics in turn serve as a tool for the determination and implementation of customs policy. Commodity nomenclature is used not only at the national level, but also by the World Trade Organization, the World Customs Organization, the United Nations, and other international entities. Importers and exporters or investors in other countries visit customs nomenclature websites thousands of times a day to see the types and levels of customs duties and other charges and trade policy measures that particular countries apply. Trade policy regulations, rules of origin, and trade statistics in almost all of the developed and developing countries are designed and compiled on the basis of customs nomenclatures. This SmartLesson discusses how the Central Asia Trade Logistics Project worked with the Customs Administration of the Republic of Tajikistan on the development of its first national commodity nomenclature.



Border crossing point at Kulma on the Tajikistan-China border. (Photo from the Customs Service of Tajikistan)



The Harmonized Commodity Description and Coding System book. (From the World Customs Organization website)

BACKGROUND

The Trade and Competitiveness Global Practice (T&C) began operating the Central Asia Trade Logistics Project (CATLP) in Tajikistan and the Kyrgyz Republic in early 2016. Its aim is to streamline the clearance process for goods to enable traders to get their goods to market faster and at a lower cost. The project works with border management agencies (customs, sanitary and phytosanitary agencies) to simplify the procedures for clearing goods—through business-process improvements, more rigorous use of risk management, and the development of a trusted traders program.

The project also provides technical assistance on related initiatives that support the countries' alignment with the WTO Trade Facilitation Agreement. For example, the project is supporting the establishment of the National Trade Facilitation Committee, which is a requirement of this agreement, in both countries. Tajikistan established this committee in December 2016.

In the spring of 2016, the project received a request from the Customs Service of Tajikistan to provide assistance with the development of the country's first National Commodity Nomenclature according to the Harmonized System Code of 2012. This request had been presented to other donors active in trade facilitation, but none was ready to provide this support. T&C agreed to help.

LESSONS LEARNED

Lesson 1: Successful implementation depends on clearly understanding the client's request.

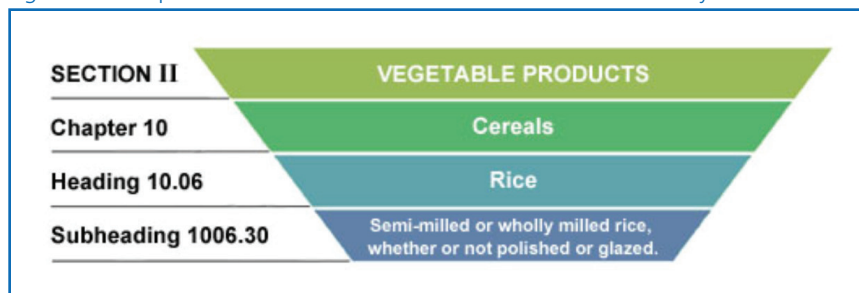
When T&C received this request, we first had to educate ourselves on what exactly we were being asked to do, and to determine whether this work would further our agenda. We consulted with our team experts to understand the task.

National commodity nomenclatures are based on the Harmonized Commodity Description and Coding System, generally referred to as "Harmonized System," or simply "HS," which describes and encodes international shipping cargo passing through customs. The HS of tariff nomenclature is an internationally standardized system of names and numbers to classify traded products. It came into effect in 1988 and has since been developed and maintained by the World Customs Organization (WCO). This system is widely used by more than 200 countries.

The HS code consists of six digits: the first two digits designate the HS chapter; the second two digits designate the HS heading; and the third two digits designate the HS subheading. HS code 1006.30, for example, indicates Chapter 10 (Cereals), Heading 06 (Rice), and Subheading 30 (Semi-milled or wholly milled rice, whether or not polished or glazed). Figure 1 illustrates how the HS code works.

Maintenance of the HS is a WCO priority. This activity includes measures to secure uniform interpretation of the HS and to ensure that it is periodically updated in light of developments in technology and changes in trade patterns. The WCO manages this process through the Harmonized System Committee (representing the contracting parties to the HS Convention), which examines policy matters, takes decisions on classification questions, settles disputes, and prepares amendments updating the HS every five years. Currently, the 2012 version of the HS is in use. The 2017 version was implemented on January 1, 2017.

Figure 1: Example of the Hierarchical Structure of the Harmonized System



Source: Chart from Wikipedia: https://en.wikipedia.org/wiki/Harmonized_System#Structure

The Customs Administration of Tajikistan used the commodity nomenclature of the Eurasian Economic Community (EurAsEC), which included countries such as Belarus, Kazakhstan, Kyrgyzstan, Russia, and Tajikistan. It was last updated in accordance with HS2007.

Tajikistan did not join the Eurasian Customs Union—which was established in 2010 and first included Belarus, Kazakhstan, and Russia, adding Armenia and Kyrgyzstan in 2015. The commodity nomenclature of the Customs Union is in accordance with HS2012.

Instead, Tajikistan continued to use the EurAsEC version of HS2007, which became increasingly outdated. Tajikistan's ambition was to develop a national nomenclature aligned with the HS2012 version—in the Tajik and Russian languages.

Lesson 2: Without experienced experts, challenging assignments are at risk of not achieving their objective.

To achieve successful results, it is always important to attract competent professionals. In our case, it was challenging to identify an experienced expert to help with the HS update. The HS code has 97 chapters, which cover all product categories from live animals to works of art. (See Figure 2.)

The HS code classification needs to be compliant with the WCO HS code, up to a level of six digits. Countries may then create their own subcategories up to a 10-digit level. (See Figure 3.) The entire code is a big book of at least 1,000 pages. Attention to detail and an intimate understanding of the different product categories and their classifications—to the 10-digit level—are of utmost importance, and miscategorization or misclassification can have an adverse impact on the state budget through the incorrect levying of duties and incorrect trade statistics.

To gain a better understanding of the system, CATLP sought advice from our global team as well as from customs experts with WCO backgrounds. Eventually we were referred to a former Turkish customs official and former WCO officer, who had the experience necessary to help us and was available for this task. He proposed that we compare the existing Tajik (EurAsEC) nomenclature, the nomenclature of the EU, and the current Eurasian Customs

Figure 2: HS Nomenclature Chapters

• 01–05	Animal & Animal Products
• 06–15	Vegetable Products
• 16–24	Foodstuffs
• 25–27	Mineral Products
• 28–38	Chemicals & Allied Industries
• 39–40	Plastics/Rubbers
• 41–43	Raw Hides, Skins, Leather & Furs
• 44–49	Wood & Wood Products
• 50–63	Textiles
• 64–67	Footwear/Headgear
• 68–71	Stone/Glass
• 72–83	Metals
• 84–85	Machinery/Electrical
• 86–89	Transportation
• 90–97	Miscellaneous

Source: HS Code.

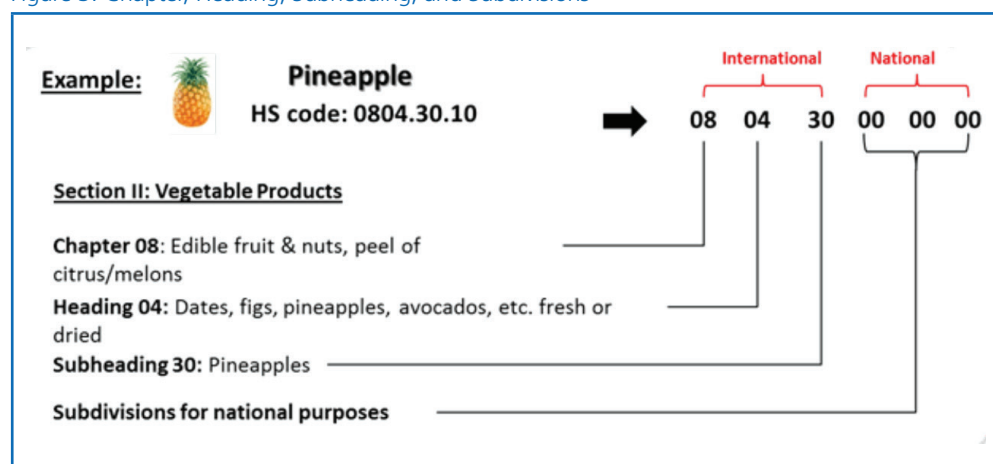
Union nomenclature to ensure that the new national Tajik nomenclature was aligned to the extent practicable with those of its neighbors and important trading partners.

In addition to this international expert, the project engaged two former officers of the Tajik Customs Service with deep experience in goods classification. We also engaged a third former officer to ensure that the Russian and Tajik technical products terms were translated correctly.

Lesson 3: Close collaboration with the client and interested stakeholders ensures engagement, buy-in, and a good final product.

Our international expert first conducted an extensive detailed review of the nomenclature currently used by Tajikistan. He provided detailed comments for dis-

Figure 3: Chapter, Heading, Subheading, and Subdivisions



Source: (Internet search).

cussion for each chapter, to align the current version with version HS2012. The expert undertook two missions to Tajikistan, which included meetings with the management of the Customs Administration of Tajikistan as well as experts on tariffs who were involved in the development of the nomenclature. During these meetings, the international and local experts and the responsible officers from the Customs Administration reviewed the code, line by line, and agreed on how to revise the classifications where needed.

The expert also offered two workshops to inform government and private sector stakeholders about the principles of the HS code and the changes from HS2007 to HS2012 as well as the changes from HS2012 to HS2017, which will be implemented, starting in January 2017, by those countries that already completed the upgrade.

During these workshops, stakeholders became familiar with the principles of the HS structure and its significance for international trade. Furthermore, they had the opportunity to provide comments on areas that were of particular importance to them and to discuss with the experts the appropriate classification of particular goods. This provided a validation of some of the category determinations made by the experts. These workshops also contributed to efforts on the part of Tajik Customs to reach out to the business community and to inform and involve them in this new initiative. Sharing information and soliciting feedback brings people together and makes them stakeholders instead of critics, and it improves the quality of the final product. The project also used print and online media sources to disseminate this information more widely.



May 6, 2016, Workshop on the Harmonized System Code in Dushanbe, Republic of Tajikistan. Participants included representatives from government agencies and the private sector. (Photos by CATLP)

CONCLUSION

The development of this nomenclature as a joint initiative of the Tajik Customs Administration and the Central Asia Trade Logistics Project is an important milestone for the Republic of Tajikistan. The nomenclature will help the Customs Administration improve its ability to classify and value goods, and it contributes to Tajikistan's alignment with the WTO Trade Facilitation Agreement article on international standards. It will be the first time in the 25-year history of independent Tajikistan that it has had its own national, independently developed product nomenclature—and of a quality vouchsafed by international experts. This is a great example of how development partners and government agencies can join forces and work together as a team to deliver a first-rate product that will have a lasting positive impact for the country.

DISCLAIMER

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