New Harmonized System Nomenclature and Its Implications on Trade of Indonesian Wood Products

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Background

The Harmonised System (HS) is a system which classifies and describes products based on various criteria (i.e. a nomenclature). The harmonisation and refinement of tariff nomenclature is important and have a number of objectives and advantages:

a) For tariff classifications speeds up the process of imports and exports by facilitating product comparability at customs; basis for collection of excise and sales tax, and simplifies trade transactions.
b) For data collection: ensures a comprehensive collection of data on the flow of goods between countries; and by increasing comparability of data across countries, it provides a basis for analysis of trade data for decision making.

The HS Code is revised frequently. The latest revision to the Harmonised System was released in June 2014 at the 123rd-124th Sessions of WCO Council, which adopted a Recommendation that lists recommended amendments to the Harmonised System which will enter into force on 1 January 2017 (HS 2017). The amendment for forestry products aims at one main area: enhancement of the coverage of wood species in order to get a better picture of trade patterns, including endangered species. In particular, separating the data on tropical wood trade will both serve to focus attention on the important issue of tropical wood use and clarify data on non-tropical hardwoods. The whole FAO Forestry proposal focuses on getting more detailed breakdown for HS categories of US$ 45 billion in 2010. Detailed data on wood products are extremely important for estimating raw material and product balances, energy balances, carbon sinks/emissions and measuring carbon in harvested wood products in the forestry sector. Improving species information enables more accurate measurement of the actual content of carbon and energy in traded wood (FAO 2013).

Objectives and Methodology

This paper aims to look at the amendment to the HS nomenclature and analyse its potential implications on trade of wood products especially those which originated from Indonesia. In 2012, the list of tropical tree species is not exhaustive, while those obtained by slicing laminated wood), for plywood or for similar laminated wood. There are about 6000 tropical tree species. The revised list (which includes approximately 130 species from Indonesia) is estimated to account for about 90% of global tropical wood international trade value (source: ITTO).

The methodology used in this research is quantitative method by using trend analysis of time series data and qualitative method by conducting analysis towards the product classification in the amended HS nomenclature.

Conclusion

In June 2014 World Customs Organization (WCO) has amended the Harmonized System (HS) nomenclature which adopted a Recommendation proposed by the Food and Agriculture Organization (FAO). One of the Recommendation is the modification of forestry products classification. The sad objective is to enhance the coverage of wood species and get a better picture of trade patterns, including endangered species. There has been a dramatic growth in international trade in forest products which was worth over US$ 227 billion in 2010, up by 50% since 2000. The trade flows are also changing and becoming more global. Due to the importance of the HS in the collection of trade statistics, the current FAO proposal for forestry products aims at one main area: enhancement of the coverage of wood species in order to get a better picture of trade patterns, including endangered species. In particular, separating the data on tropical wood will both serve to focus attention on the important issue of tropical wood use and clarify data on non-tropical hardwoods. The whole FAO Forestry proposal focuses on getting more detailed breakdown for HS categories of US$ 45 billion in 2010. Detailed data on wood products are extremely important for estimating raw material and product balances, energy balances, carbon sinks/emissions and measuring carbon in harvested wood products in the forestry sector. Improving species information enables more accurate measurement of the actual content of carbon and energy in traded wood (FAO 2013).