



**Economic and Social Council**

Distr.  
GENERAL

E/CN.3/1983/12  
27 May 1982

ORIGINAL: ENGLISH

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STATISTICAL COMMISSION  
Twenty-second session  
7-16 March 1983  
Item 5 (c) of the provisional agenda\*

INDUSTRIAL, TRANSPORT, ENERGY AND INTERNATIONAL TRADE STATISTICS:  
INTERNATIONAL TRADE STATISTICS

Draft of the Standard International Trade Classification, Revision 3

Report of the Secretary-General

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\* E/CN.3/1983/1.

1. At its twenty-first session, the Statistical Commission noted that a third revision of the Standard International Trade Classification (SITC) 1/ would need to be considered at its twenty-second session in order to be available for use effective 1 January 1985. 2/
2. A draft of the third revision of SITC (SITC, Rev.3), issued in a limited number of copies, will be sent to Commission members and participants prior to the session.
3. At its twenty-first session, the Commission also considered progress on the harmonization of international economic classifications and requested that a report be submitted at the twenty-second session outlining the status of the revision of the International Standard Industrial Classification of All Economic Activities (ISIC) 3/ and the degree to which it would be possible to co-ordinate ISIC and SITC. 4/ Such a report has been submitted to the Commission at its present session (E/CN.3/1983/15).
4. In addition, the Commission requested a report on co-ordination in relation to four fields of activity, including standards. 5/ The report on co-ordination has been submitted to the Commission at its present session (E/CN.3/1983/26) and includes mention of co-ordination of ISIC and SITC.
5. The first 6/ and second revisions of SITC had a close correlation with the Customs Co-operation Council Nomenclature (CCCN) 7/ - formerly known as the Brussels Tariff Nomenclature (BTN). This has been of considerable benefit, since international trade statistics are normally obtained as a by-product of customs administration. A revision of CCCN, together with a new Harmonized Commodity Description and Coding System (HS) being developed under the auspices of the Customs Co-operation Council, are scheduled to become effective on 1 January 1985. The need to maintain the close correlation with CCCN, and to establish a relationship with HS, has led to the need to revise SITC at the present time.

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1/ United Nations publication, Sales No. E.75.XVII.6.

2 Official Records of the Economic and Social Council, 1981, Supplement No. 2 (E/1981/12), para. 41 (a).

3/ United Nations publication, Sales No. E.68.XVII.8

4/ Official Records of the Economic and Social Council, 1981, Supplement No. 2 (E/1981/12), para. 93 (e).

5/ Ibid., para. 212.

6/ United Nations publication, Sales No. E.61.XVII.6.

7/ Nomenclature for the Classification of Goods in Customs Tariffs, Fifth edition, (Brussels, Customs Co-operation Council, 1976).

6. The Harmonized Commodity Description and Coding System is being developed in order to reduce the extent to which goods moving in international trade have to be identified in terms of different classifications, for purposes of customs, statistics, transport, etc. It will be a detailed classification (with about 4800 detailed categories), incorporating many of the distinctions required for these purposes. The detailed categories (subheadings) of HS are subdivisions of the headings of CCCN.
7. In preparing the draft SITC, Rev.3, the United Nations Statistical Office has taken account, as far as possible, of the need to co-ordinate ISIC and SITC, the comments and suggestions received from international organizations and the views expressed by an Expert Group convened at United Nations Headquarters, 15-19 March 1982, <sup>8/</sup> while also taking account of the need for continuity with earlier versions of SITC. In addition, attention was given to the homogeneity of each level of the classification in terms of the value of world trade in the categories at that level.
8. The draft SITC, Rev.3, comprises 10 sections (with one-digit codes), 68 divisions (with two-digit codes), around 260 groups (with three-digit codes) and around 970 subgroups (with four-digit codes). Some of the subgroups are further divided to form about 2500 items (with five-digit codes) and some of these, in turn, are further divided to form about 3250 subitems (with six-digit codes). The six-digit level has been introduced in order to retain code numbers used in SITC, Rev.2, as much as possible, since the introduction of many new categories identified in HS would not have been possible in a five-digit system without a large number of disruptions in the coding of commodities.
9. The subitems, together with the undivided items and undivided subgroups, provide a total of about 4800 categories constituting the most detailed individual headings in SITC, Rev.3. The detailed individual headings have one-to-one correlation with the detailed subheadings in HS (except in the case of refined petroleum products; see para. 11 below). The exact number of these categories cannot be provided, since HS will not be finalized before June 1982. Some changes made in finalizing HS may necessitate corresponding amendments to the draft SITC, Rev.3.
10. In the draft SITC, Rev.3, the use of codes ending in "0" has been avoided for the three-digit, four-digit, five-digit and six-digit headings, the "0" being reserved at those levels as a special code referring to totals of relevant miscellaneous categories which, for some reason or other, might not be available in the detail recommended at the country level. For example, "cheese and curd" is divided into five headings at the four-digit level. If the total trade in the group is known, but for some reason only "processed cheese, not grated or powdered" could be identified in the statistics, the data would be shown as follows:

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<sup>8/</sup> "Report of the Expert Group Meeting on the Third Revision of the Standard International Trade Classification" (ESA/STAT/AC.14/3).

024	Cheese and curd	Total
024.5	Processed cheese, not grated or powdered	A
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024.0	Other cheese and curd	B = Total - A

The "0" in the last part of the code would automatically inform the user that the heading was not standard nor necessarily comparable with goods identified by the same code for another country, since the commodities for which data were available could be very different. Such a method would also avoid the use of residual headings, such as 024.9 "other cheese", outside their precise definitions in SITC, Rev.3. For the reason cited above, butter, for example, which is 023.0 in SITC, Rev.2, is 023.1 in the draft SITC, Rev.3.

11. The Harmonized Commodity Description and Coding System does not provide a breakdown of refined petroleum products into individual types of products, such as is included in SITC, Rev.2, since it was not possible to reach international agreement on definitions of the individual products suitable for customs purposes. The possibility that, as a result, a breakdown may not be available in international trade statistics in the future has been a cause for concern among many users of statistics, particularly those involved in studies of energy. For this reason, a breakdown of these products is included in the draft SITC, Rev.3, on the understanding that the Customs Co-operation Council might be willing to recommend that countries use a corresponding breakdown for statistical purposes in conjunction with HS. The headings shown in SITC, Rev.2, have been retained for this purpose, and rearranged into six subgroups (at the four-digit level), five of which deal mainly with energy-generating products and the sixth with non-energy-generating products.

12. The view has been expressed that the revised CCCN and HS might not be applied by countries before 1986 or 1987 because of delays in obtaining parliamentary approval for customs tariff changes and in negotiating duty rates under the General Agreement on Tariffs and Trade. If delays were to occur, it could mean that the application of SITC, Rev.3, may also be delayed since it is correlated to HS. This could allow time for additional work on revising SITC to take account of further work on revising ISIC and an associated goods classification, with the aim of having a further draft SITC, Rev.3, available for consideration by the Commission at its twenty-third session, to be held in 1985, as well as a draft revised ISIC.

#### POINTS FOR DISCUSSION

13. The Commission may wish to review and approve the draft SITC, Rev.3. If the Commission approves SITC, Rev.3, it may also wish to discuss the following:

- (a) Arrangements for implementation of SITC, Rev.3, including:
  - (i) Recommendations that countries, in particular, those now compiling data according to SITC, should, when convenient, substitute SITC, Rev.3, and that countries implementing Economic and Social Council

resolution 299 B (XI) of 12 July 1950 for the first time should do so, if possible, on the basis of SITC, Rev.3, it being understood that Member States which have based customs nomenclatures on the original SITC or the first or second revisions thereof may not wish to make the change until they would, in any case, be reviewing their customs nomenclatures, particularly when adopting HS;

- (ii) Recommendation that countries are not able to adopt the full detailed SITC, Rev. 3, for certain commodities (for example, when their trade does not justify compiling statistics in the detail provided by a given level of SITC, Rev. 3) should adopt the special coding procedures described in paragraph 10 above;

(b) Arrangements with the Customs Co-operation Council regarding the correlation between SITC, Rev.3, and HS, including:

- (i) Arrangements to distinguish in HS the statistical subheadings required to provide the details of petroleum products which are necessary for the compilation of significant statistics in this important section;

- (ii) Arrangements to ensure that any future revision of HS take into account the needs of SITC, Rev.3;

(c) The need for commodity indexes to SITC, Rev.3;

(d) The need for revision of the Classification by Broad Economic Categories (defined in terms of SITC, Rev.2), 9/ (BEC) to take account of SITC, Rev.3;

(e) In publishing SITC, Rev.3, the need to include correlation codes between SITC, Rev.3, and SITC, Rev.2, HS, CCCN and BEC;

(f) The need for establishment, if possible, of convertibility keys between SITC, Rev.3, and the Standard Foreign Trade Classification of the Council for Mutual Economic Assistance, in co-operation with the Conference of European Statisticians;

(g) The publication of data by United Nations bodies in accordance with SITC, Rev.3 (with adjustment for this purpose, in agreement with States Members of the United Nations, of data reported according to previous versions of SITC, where necessary);

(h) The publication of data which show the effects of the more important differences between SITC, Rev.2 and Rev.3.

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9/ United Nations publication, Sales No. E.76.XVII.7.

14. The Commission may also wish to consider the possibility outlined in paragraph 12 above of a delay in application of SITC, Rev.3, which could allow time for additional work with the aim of having a further draft SITC, Rev.3, available for consideration by the Commission at its twenty-third session, to be held in 1985, together with a draft revised ISIC.

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