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**FOODSTUFF: STRUCTURE, QUALITY AND CLASSIFICATION IN
INTERNATIONAL TRADE**

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***Abstract:** Problems of providing domestic market with the highly qualitative foodstuff are the problems of state regulation of foreign economic activity of any country. However in cases of ambiguous items classification by the Harmonized system of the Description and Coding of the food items it is often very difficult to define the instruments of regulation which should be applied to the concrete item. The article gives the examples of the classification problems of the foodstuff illustrating the interrelation between the structure, quality and place in the product ranges of the Harmonized system of Description and Coding of items. The analysis of the most problematic cases of the items classification, which have steady nature of doubtful declaring, is given. The analysis of terminology accepted in the Commodity Nomenclature of the Eurasian Economic Union and national standards is provided. The main distinctions and the reasons of ambiguous understanding of the concepts in Russia, Germany, Spain, France and Switzerland are established. The algorithm of classification of the separate items having various qualitative and quantitative structure is given.*

***Keywords:** foreign trade, classification, goods, quality, regulation, customs payments, commodity nomenclature, use value.*

1. Introduction

Speaking on foodstuff classification, we will try to understand an international trade as the transformation of goods from a product of social activities of the people to an economic category where the measures of state regulation are applied. This process is

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considered by the author of article in connection with the Harmonized Commodity Description and Coding System (Commodity HS) and with the Harmonized System Nomenclature of the Eurasian Economic Union constructed on its basis.

Considering two characteristics of the goods, it is important to note that the use value is the preliminary condition of exchange value. This means that not every item can be sold, but any item has a material basis. This basis (chemical composition) should to be known for the food stuff identification and the classification for the Customs purposes.

This chemical composition predetermines its useful consumer properties, and the set of these properties is the essence, the use value, which characterizes the material characteristics of the goods.

In International trade and Customs technologies, the concept of "goods" or "commodity" is understood as the any personal estate moved through the Customs border. According to the classical economic theory, the goods are the any product, which participates in a free exchange process for the other products.

In the Harmonized and Coding System the use value acts as the operating parameter [1]. In this regard, it is advisable to consider the starting theoretical points disclosing the essence of use value and the concepts connected with it, and also, to make clear the role of the last, in the Commodity Nomenclature structure formation.

For this purpose, it is important to determine the ways of the concept "use value" is interpreted, as it is considered, during the coding, identification and classification of the goods. For the development of general methodology and private techniques of the goods identification for the customs purposes, the uniform understanding of this term by the both participants of foreign economic activity and the State bodies is required. The development of this mutual understanding will allow to automate the separate customs transactions connected with the control of the correctness of the goods classification, thereby to increase the efficiency of the customs control.

The analysis of references has shown that various scientific schools [2, 3] interpret the concept "use value" in different ways and many questions connected with this concept remain till today undeveloped and debatable. According to G. G. Azgaldov the concept "use value" has no common uniform interpretation and its logical contents is understood by various researchers unambiguously. The author [4] provides the analysis of various definitions of a large number of authors citations according to which the most widespread interpretation of this concept are: 1) property to satisfy requirement 2) usefulness 3) the thing having usefulness.

It is obvious that simultaneous use of different concepts (even with very close notions) can cause the confusion among the experts. According to G. G. Azgaldov [4], "the possibility of the "use value" measurement can arise only in case when the concept of this unit is proved".

Obviously, for the purpose of the customs transactions simplification and assistance to international trade, the borders of this concept definition should be accurately outlined. The most acceptable determination for foreign trade activity is "the labour product capable to satisfy human requirements and specially made for the exchange" [2]. In this regard, it is possible to state that the material properties of the goods and its use value is the

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object of classification in the Harmonized Commodity Description and Coding System (HS).

Proceeding from all said above, it is possible to claim that the HS Nomenclature is the list of use values that have various significant values in the international market. So some of the goods have their individual code, others are classified in the positions named as "others".

When moving any use value through the Customs border, it is possible to apply any instrument of State Regulation, only when the goods are identified, and the Customs Code (HS Code) is given to them, because all types of Customs procedures "are attached" to the HS Code.

2. Commodity Identification Mechanism

The main questions, which is necessary to answer at the identification procedures are: What is it? What is it made of? What is it used for? Is it a finished commodity or the goods should be finished? Is it a part of something or an independently functioning object? If this commodity is uniform? What is the role of its packing?

We will consider the identification mechanism on the example of butter with a certain chemical composition (milk fat of-60%, margarine-20, water - 20%). It is necessary for the definition of the goods belonging to a certain classification group in the HS nomenclature by the subsequent consecutive application of the HS nomenclature Basic rules.

Applying the first part of the first Basic Rule of Interpretation (BRI 1) it is necessary to investigate the contents (table of contents) of the HS nomenclature where the titles of sections and groups are specified. The numbers of all sections and groups where these goods are classified "at first sight", the following "line" is given: I section, 04-th group, III section, 15-th group, IV section, 21-st group.

It is necessary to apply the second part of BRI1 to this "line". Notes to the allocated sections (I, III, IV) and to the groups (04, 15, 21) are analyzed for this purpose. If notes do not exclude the identified goods with the specified consumer properties, commodity positions of the chosen groups are investigated. The choice of the only commodity position is a legally significant action, unlike the "line" of sections and groups, which is constructed for the convenience only.

For the reviewed example during the research of the notes to the 04-th and 15-th groups, there are exceptions on chemical composition. From the 04-th group these goods are excluded, because of margarine presence. They are also excluded from the 15-th group, because of the milk fat excess. In the 21-st group, there are no exceptions and there is only one 2106 commodity position. Further the full ten-digit code, which for these goods will be 2106 90 980 4 [5] is defined with the help of BRI 6.

Sufficient information on chemical composition of this commodity allowed to classify it as the "mix, suitable for the use in food, consisting from animal or vegetable fats", but not as "butter".

The example given above illustrates that fact that the terms accepted in the HS nomenclature often disperse from the terms specified in national product standards, also from the commercial and empirical names of these goods.

For example, now in the uniform customs border there are considerable problems of classification of the ice cream under the title "ICE CREAM" presented in the form of the frozen desserts consisting of vegetable fats, when this commodity goes to the Russian market. The problem of the imported goods Customs control is connected with necessity of the various interest rates application for the value added tax (VAT).

In the territory of Germany, Spain, France and Switzerland (who are the main ice cream suppliers to the Russian market) the concept "ice cream" with the replacement of milk fat with the phyto-genesis fats is admissible and is possible. The definition of the "ICE CREAM" concept in these countries includes the ice cream in the Russian consumers understanding and the desserts made with the vegetable fats.

However, in the HS nomenclature and the Explanations to it there are no explanations concerning "the frozen desserts made on the basis of vegetable fats". There is a question: if it is not the "ICE CREAM", what is it?

According to the Russian legislation [6] the value added tax for the tax rate is reduced from 18% to 10% for the foodstuff and goods purposed for the children.

In case under the consideration, milk fat replacement in the number of its mass fraction for not more than 50 percent from a fatty phase, only with the milk fat substitute, provides the other VAT rate, which is not 10%, but 18%.

It is obvious that for these goods it is necessary to give the additional explanations in the official Explanations to the Commodity HS nomenclature.

The same problems arise at the identification and classification of wine products in the foreign economic activity.

When carrying out the Customs examination of wine products components, which become the ready-made product directly from the grape raw materials (organic acids, sugar, aromatic substances, etc.), or are formed in the course of fermentation (alcohol, glycerin, acetic acid) are examined.

All these combinations can be the indicators of quality and naturalness of grape wines. Thus, one of the most "powerful" proofs of quality and authenticity of grape wine is the content of organic acids.

3. Foodstuff definition methods used in Russia

In Russia, for a long time, one of the main methods for wines definition was the method of a highly effective liquid chromatography and as its option the normal and phase chromatography. This method is based on the differential repeated redistribution of substances or particles, between the immiscible and moving relatively to each other phases.

As a result, it leads to the individual components concentration zones of the initial mix of these substances or particles (in our case: wine, apple, dairy, amber, lemon and acetic acids) isolation.

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This method is reliable. Its results are comparable to the results of a biochemical method of the analysis, however its shortcoming is its high cost connected with the expenses on the acquisition of a column, eluents and expendables [9].

The alternative to this method is the system of the capillary electrophoresis "Kapel", which is offered by a scientific and production firm of analytical instrument making "Lumex". The electrokinetic phenomena, the electromigration of ions and other charged particles, and the electroosmosis are the cornerstones of a capillary electrophoresis. This method allows to analyze the ionic and neutral components of various nature, with high expressivity and efficiency.

4. Foodstuff Customs declaration problems

However, having the modern equipment, the Customs authorities are not able to solve some problems during the Customs declaration procedure.

One of them is a lack of the harmonized and uniformly understood terminology in the production sphere of winemaking and in the Commodity HS nomenclature.

For example, such concepts as "natural grape wines", "table, natural, dry, raw grape wine material", "table wine material", "a mash grape" in the Commodity HS nomenclature have no definitions. In normative and legal documents (national and international), scientific literature, reference books of technologists and commodity researchers and so forth, some differing from each other definitions of these terms [6,7,8] are given.

This causes a confusion among the participants of foreign trade activities at classification and determination of the due customs payments amounts. It is possible to assume, that this problem have caused the negative jurisprudence experience of the Customs authorities, in the affairs connected with classification of wine, and wine raw material.

In this regard, it is important to note that as the economic interests of Russia are infringed, just the Russian side, needs to bring up the issue of these problems solving.

Now the problem of false goods declaration, passing through the border of the Customs Union is very serious. It is caused by the fact that amounts of the goods participating in international trade grow very fast. At the same time, the number of personnel structure of the Customs Service of the Russian Federation does not undergo essential changes.

According to some information, among all the documents provided on border, 10% from them are filled in, obviously, incorrectly.

It is possible to distinguish from the most spread information, which is incorrectly specified, in the customs declaration the following data:

1. False declaring of a quantity of goods, or its cost;
2. Incorrect declaring by the incorrect code;
3. Incorrect indication of the place of goods origin.

The main reason for such deliberate "mistakes" is a desire to reduce the amount of the relying customs payments, or to evade from their payment.

In the practice of the Russian customs authorities is the case when, instead of white wine, the mash import been prevented. The difference in customs duty amount constituted 15%. Such a case is not the only one. The similar problem has to be solved by the customs duties rates equalization on wine and wine materials. The same problem, is expected while making the decision concerning skins, boring pipes, yachts and other goods.

The assessment of false declared goods share in the Russian Federation, was traditionally carried out by the comparison of import and export data of the partner-countries. In addition, this problem was also solved by an indirect assessment of import and export.

However, these methods of discrepancies identification do not represent the full problem solution. Each of these methods has the shortcomings and that is why a single methodological approach is not possible.

In many cases, the problem of false declaration identification is aggravated by the lack of proper statistical data. In fact, the statistics lags behind in time. This temporary period equals to about a half of a year.

Now the Customs service of the Russian Federation uses the method of "mirror statistics". The essence of this method is that the comparative analysis of import and export of the Russian Federation and its partner - countries is carried out.

However, it should be noted, that there are also the other problems promoting a discrepancy in statistical data:

- Use by the partner-countries not unified systems of the data accounting;
- Use of not unified techniques of statistical cost determination;
- Distinctions in the periods of data inclusion;
- Distinctions in partner-country determination;
- Distinctions in goods classification rules;

5. Conclusion

Summarizing all stated above, it is possible to draw a conclusion, that the moment of the Commodity HS introduction in Russia took place nearly 25 years ago. The experience of its application during this time is collected and some difficulties are systematized

It is obvious, that there came the proper time to comprehend them and to choose the correct reference points for the priorities determination.

One of them is the need of the terminology accepted in the Commodity HS nomenclature of the World Customs Organization and terminology the Commodity HS of Eurasian Economic Union in the sphere of foodstuff production harmonization.

Going back to the problems of the goods false declaration, it is necessary, for the

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solution of the problems to fulfil the following:

- To develop the methods of the false declared goods share assessment;
- To develop the methods of the situation projection for a short period of time;
- To organize the timely provision of the Customs authorities with the necessary statistics;

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PREHRAMBENI PROIZVODI: STRUKTURA, KVALITET I KLASIFIKACIJA U MEĐUNARODNOJ TRGOVINI

Apstrakt: Problemi pružanja visoko kvalitetnih prehrambenih proizvoda domaćem tržištu su problemi državne regulacije spoljne ekonomske aktivnosti svake zemlje. Međutim, u slučajevima nejasne predmete klasifikacije harmonizovanog sistema, i kodiranje namirnica često je vrlo teško definisati instrumente regulacije koji bi trebalo primeniti na konkretnu stavku. U članku se daje primer problema klasifikacije namirnica koji ilustruje međusobni odnos između strukture, kvaliteta i mesta u asortimanu harmonizovanog sistema opisa i kodiranja predmeta. Analiza terminologije prihvaćene u robnoj nomenklaturi evroazijske ekonomske unije i nacionalnih standarda je obezbeđen. Glavne odlike i razlozi dvosmislenog razumevanja konceptata u Rusiji, Nemačkoj, Španiji, Francuskoj i Švajcarskoj su dati.

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Algoritam klasifikacije posebnih stavki koje imaju različite kvalitativne i kvantitativne strukture je prikazan.

Ključne reči: spoljna trgovina, klasifikacija, robe, kvaliteta, regulacije, carinsko plaćanje, robna nomenklatura, upotrebna vrednost.