

## “GOODS CLASSIFICATION AND RISK MANAGEMENT IN CUSTOMS ADMINISTRATION OF THE REPUBLIC OF UZBEKISTAN”.

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**Annotation:** This article analyzes the classification of goods within the Commodity Nomenclature of Foreign Economic Activity of the Republic of Uzbekistan, based on the Harmonized System developed by the World Customs Organization. It examines the key principles of classification, identifies common challenges and errors, and highlights the role of risk management systems in ensuring accurate customs declarations. The study emphasizes the importance of proper classification for determining customs payments and concludes that the integration of modern technologies and risk-based approaches improves the efficiency of customs administration.

**Keywords:** Commodity Nomenclature of Foreign Economic Activity of the Republic of Uzbekistan, customs classification of goods, harmonized commodity description and coding system, WCO, customs regulation, risk management in customs, risk goods, cover goods, customs duties, tax, international trade regulation.

The unification and harmonization of systems for describing and coding goods represent one of the most important areas of international cooperation in the field of customs regulation. In the context of globalization and the steady growth of international trade, the need for a standardized classification system has become essential for ensuring consistency, transparency, and efficiency in customs procedures. At present, most countries apply the Harmonized Commodity Description and Coding System, developed and maintained by the World Customs Organization, which provides a universal framework for the classification of goods in international trade. The use of this system significantly simplifies the movement of goods across customs borders and contributes to the expansion of global trade turnover.

In the Republic of Uzbekistan, the Commodity Nomenclature of Foreign Economic Activity serves as a national adaptation of the Harmonized System. It represents a systematized list of goods that is used to regulate foreign trade activities and includes classification codes, product names, and standardized units of measurement. This nomenclature performs several important functions, including the determination of customs duties, the application of value-added tax and other charges, as well as the implementation of non-tariff regulatory measures such as licensing and quotas. In addition, it plays a significant role in the collection and analysis of foreign trade statistics.

The classification of goods within the Commodity Nomenclature of Foreign Economic Activity of the Republic of Uzbekistan is carried out on the basis of objective

and internationally recognized principles. Among the most important criteria are the material composition of the product and its functional purpose. Other relevant factors include the degree of processing, industry affiliation, and specific characteristics related to storage and transportation conditions. At the same time, classification must strictly comply with the Basic Rules for the Interpretation of the Harmonized System, which ensure the uniform application of classification standards across different countries. Accurate classification requires detailed knowledge of the product, including its technical characteristics, manufacturing process, and intended use.

Despite the existence of clear rules and principles, the process of classifying goods remains complex and often leads to errors. One of the main reasons for this is the inherent complexity of the nomenclature system, which requires specialized knowledge and professional experience. In many cases, goods may fall under several possible classification headings, making it difficult to determine the correct code. Additional challenges arise from the need to understand technical details, the ambiguity of product descriptions, and differences in the interpretation of classification rules. Furthermore, the influence of subjective factors cannot be excluded, as different specialists may interpret the same product characteristics in different ways. In some cases, misclassification may be intentional, as participants in foreign economic activity may seek to assign goods to categories with lower customs duties in order to reduce financial obligations.

The consequences of incorrect classification can be significant and may adversely affect both businesses and the state. For participants in foreign economic activity, errors in classification can result in incorrect calculation of customs duties and taxes, leading either to additional financial liabilities or to penalties for underpayment. Such errors may also cause delays in customs clearance, require the submission of additional permits or certificates, and, in some cases, lead to administrative or legal proceedings. From a broader perspective, systematic misclassification can distort trade statistics and negatively impact state budget revenues.

In order to minimize classification errors and ensure compliance with customs legislation, customs authorities actively use risk management systems. These systems are designed to identify potential inaccuracies in declarations and to focus control measures on high-risk transactions. A key element of this approach is the distinction between so-called “risk goods” and “cover goods.” Risk goods are those for which there is a high probability of misclassification or undervaluation, while cover goods are those that may be declared instead of risk goods in order to conceal their true nature and reduce customs payments. The identification of such goods is based on a range of factors, including the rate of customs duty, the volume of trade, discrepancies between import and export data, and the historical compliance record of traders.

The lists of risk and cover goods are dynamic and are regularly updated based on operational information and statistical analysis. These lists may include both highly specialized products, such as chemical substances, and widely used consumer goods, including household appliances, food products, cosmetics, and other items. The use of

such lists enables customs authorities to identify suspicious transactions more effectively and to take preventive measures aimed at reducing the risk of violations.

Improving the accuracy of goods classification requires a comprehensive approach that combines legal, technical, and organizational measures. The use of explanatory notes to the Harmonized System, as well as official classification decisions issued by customs authorities, plays an important role in clarifying complex classification issues. Continuous professional training for customs officials and participants in foreign economic activity is also essential, as it helps to improve the level of expertise and reduce the likelihood of errors. In addition, the application of modern digital technologies, including automated classification systems and data analysis tools, contributes to increasing the efficiency and reliability of customs procedures.

The integration of the Commodity Nomenclature of Foreign Economic Activity with risk management systems represents a significant step toward improving the effectiveness of customs administration. This integration allows customs authorities to optimize their activities, allocate resources more efficiently, and prevent violations of customs legislation through the application of preventive measures. As a result, it contributes to the protection of state economic interests and the facilitation of international trade.

In conclusion, the classification of goods within the Commodity Nomenclature of Foreign Economic Activity of the Republic of Uzbekistan is a complex but essential process that plays a crucial role in customs regulation and international trade. While the system is based on internationally recognized standards, its practical implementation requires a high level of expertise and continuous improvement. Strengthening cooperation with international organizations such as the World Customs Organization, along with the adoption of best practices and modern technologies, will further enhance the effectiveness and reliability of the national customs system.

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