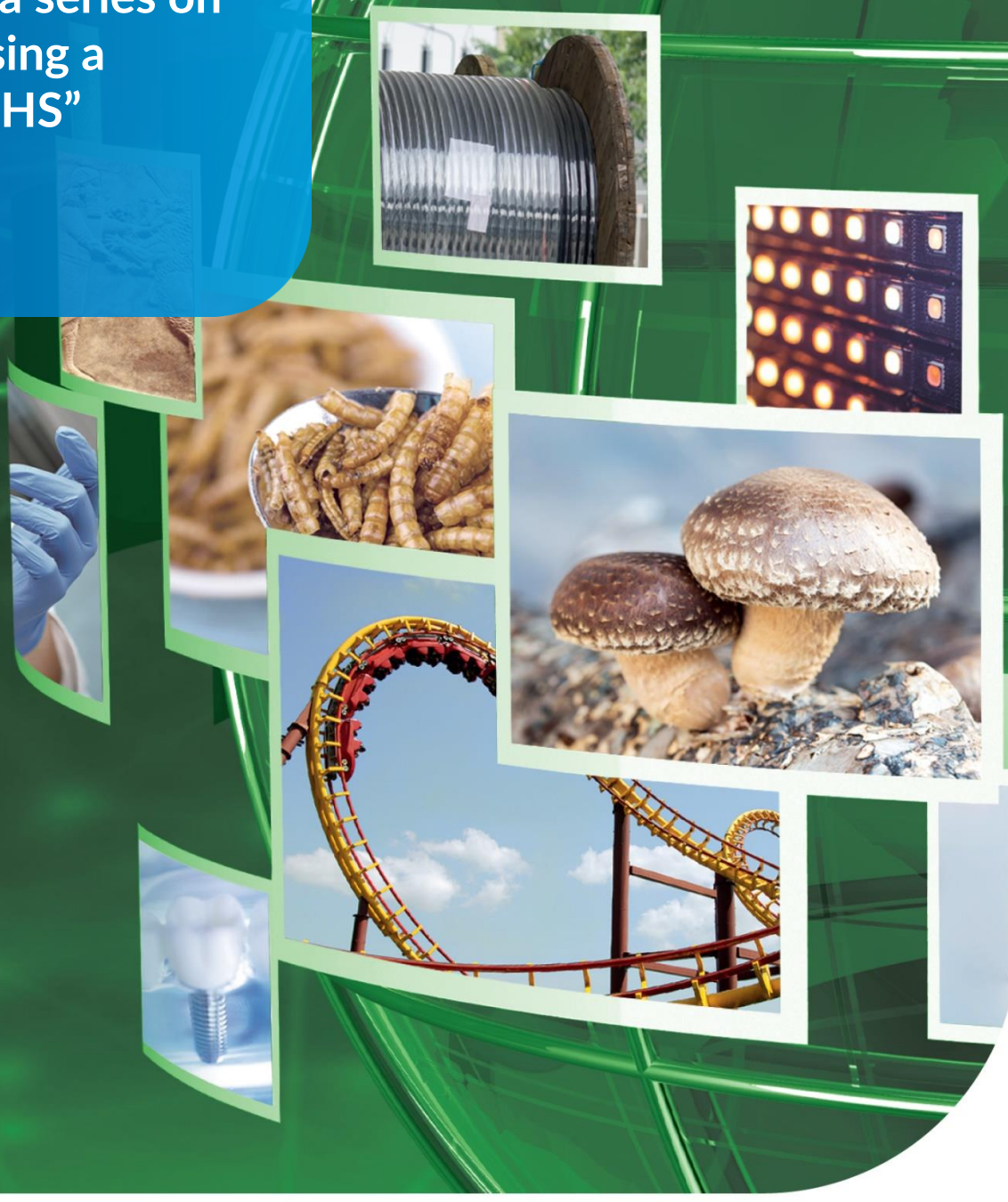
World Customs Organization

Report on the HS symposia series on "Visualising a greener HS"

April 2023



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Abbreviations

EN / ENs	Harmonized System Explanatory Notes, the official (but non-legally binding) commentary on the Harmonized System
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
HS	The "*Harmonized System*", the Annex to the HS Convention, formally known as the *Harmonized Commodity Description and Coding System*, and the system for classification of international trade to six digits
HSC	Harmonized System Committee, the Committee responsible for the HS
HS Convention	The *International Convention on the Harmonized Commodity Description and Coding System*
HS Study	Exploratory Study on a possible Strategic Review of HS
IGOs	International governmental organizations
ISO	International Organization for Standardization
NGOs	Nongovernmental organizations
RSC	The Harmonized System Review Sub-Committee, a sub-committee of the HSC that is responsible for the drafting of changes to the HS.
WCO	The World Customs Organization (formally named the Customs Cooperation Council)

Foreword

This publication presents comments on the outcomes of the symposia series on "Visualising a greener HS”, organized by the WCO, with the financial support of the European Union, and were held from October 2022 to January 2023.

This symposia series aimed to give a more global focus to the discussions and to offer new perspectives to assist WCO Members and trade stakeholders. It was focused on what changes were needed to make the HS even greener in its future editions.

It was recognised in the symposia that the importance of the issues highlighted requires a concentrated focus on finding what can be done to adapt the HS to enable environment-related trade measures to be effective and efficient.

To turn discussions into HS provisions will require Members, IGOs, and the WCO to work together to bring these ideas into achievable proposals for HS changes. Therefore, this document is also a call to action to ensure that these discussions translate into tangible results.

Kunio MIKURIYA

Secretary General

World Customs Organization

The Symposia Series

Background

The WCO Council in June 2022 adopted the Strategic Plan 2022-25, in which Green Customs was identified as one of the focus areas. It was agreed to launch a global reflection to assess how WCO instruments might be amended and reviewed to further integrate the environmental aspect and contribute to the global green economy.

Thanks to the generous contribution of the European Union, a symposia series on "Visualising a greener HS” was organized to respond to the WCO Council request. This was intended to discuss the issues and to seek new perspectives to assist Members in reflecting on potential changes, both in terms of new or amended provisions and in identifying any other actionable ideas that may make the HS increasingly greener in its future editions.

The five sessions held from October 2022 to January 2023, had around 700 registered participants and more than 25 distinguished speakers that joined in person or online, from Customs administrations, international governmental organizations (IGOs), nongovernmental organizations (NGOs), academia and the private sector.

Overview

The first symposium was held on 5 October 2022 and focused on the theme "Expanding food horizons - recognizing agricultural diversity for sustainable global food security”. This theme was based on the concerns on the potential food security caused by climate change and environmental degradation and the increasing need to track trade in emerging new food resources.

The expert speakers acknowledged the progress made in recent HS review cycles and highlighted that there was still a lot more possible to make the HS greener in the context of sustainable global food security.

A major area of discussion was the possible creation of HS provisions for food products whose sustainability and ecological impacts were an issue of interest to many governments. These products include various fishery and aquaculture products, organic foods, and plant-based alternatives to products of animal origin. Separate provisions for such growing and high-value trade streams were not just of interest economically, but would also assist governments in making informed policies and decisions around sustainable food security.

The experts referred to the “Circular transition of food resources” and how innovative processing of wastes could move nutrients and components back into the agricultural cycle. HS changes in this direction should be part of the broader review of other measures for the recognition and identification of circular materials. This issue highlighted the importance of collaboration across sectors.

The second symposium was held on 25 October 2022, and it was focused on chemicals, based on the question of “How can the HS reflect needs to identify traded chemicals in relation to environmental measures”. It was discussed whether the HS provides sufficient specific identification of chemicals of high negative or positive environmental impact.

Over the past 30 years, the HS has played a pivotal role in monitoring and regulating the trade of chemicals by continuously providing improved identification of environmentally important

chemicals. Nevertheless, the need for further granularity in identifying hazardous chemicals such as mercury compounds and newly emerging "hazardous alternatives" (so-called "regrettable substitutions") was recognized.

The third symposium was held on 8 November 2022 addressing the role of the HS in supporting sustainable textiles under the theme "The textile industry: the interaction between textiles and the environment".

It was noted during the symposium that certain textiles had a detrimental impact on the environment in terms of water consumption and pollution, the use of pesticides, CO_2 emissions and the volume of textile waste.

Speakers introduced various efforts and activities that their organizations have made to enhance sustainability and circularity in the textiles' sector. The information by the textile industry in this area served as a starting point for making sensible proposals. More fundamentally, it strengthened the understanding that adapting the HS for the better identification of environmentally positive textiles requires understanding of how textiles could be identified when moving through stages within the circular economy framework.

On 1 December 2022, the fourth session of the Symposia series was held in relation to basic materials, with the theme "Reflecting the lifecycle of the basic materials - plastics, metals, wood and other sustainable alternatives".

The focus of the fourth symposium was the identification of materials at different stages of their lifecycle: again, an issue closely tied to the 'mechanisms' of the circular economy and creating visibility for materials in a recycling loop.

In addition to identifying certain products during their lifecycle, the ability to identify products with high or low potential of circularity and products based on the environmental impact of their final disposal was a topic for discussion. A concrete example of this type of product was the challenge of identifying a wider range of recycled plastic materials.

The fifth symposium was held on 23 January 2023, focused on "Green technology" in the HS under the title "The environmental credentials of technology - can we identify the green status of equipment?"

This is a rapidly changing area in which today's environmentally preferable technology can quickly become obsolete and overtaken by newer and better technology. Two fundamental questions were discussed: how the HS can identify green technologies; and how can such goods be specified in ways that the relevant provisions will remain relevant and useful for the whole of an HS edition's lifespan?

Analysis of the discussions

All of the topics discussed were relevant to the subject of sustainable development and circular economy. Building on this dialogue, and the always rising interest of Member governments, it will be possible to continue to green the HS and support green policy measures, so that the role of the HS as the universal language of international trade could be expanded to also become the language of support for sustainable international trade.

The following general observations on themes and issues common across the series are made prior to looking at the individual symposia.

One of the most common problems classifying environmental goods is that goods may be considered environmentally friendly due to the production method used being environmentally preferable to traditional production or because their end use is environmentally useful. When presented to Customs however, it is usually not possible to distinguish when a product was produced in a more environmentally friendly way or if it is going to be used for environmental projects. In addition, there is a lack of international agreed standards or definitions on what is environmentally friendly.

Multiple speakers suggested that the solution to this problem could be solved by relying on a certification scheme from relevant ministries certifying how the product was produced or that it is destined to be used in an environmental project.

In regard to the issue of certification as a solution, the WCO would note the following based on its observations and on prior discussions within the HSC and RSC.

Tariff concession schemes, import or export controls and other border trade measures based on certification or use are in place in multiple member states. These non-HS methods are often the most practical methods for introducing measures reliant upon certification or on verification of use, given that they are under national control as to what will be accepted and how it will be enforced.

However, it is understandable that many parties still desire a means to record 'certified status' trade in international trade statistics and to have a basis for more consistent policy among like-minded countries: hence the interest in using the HS.

Within the HS, reference to certification has *not* been used in the legal text, other than in reference to certified reference materials as a class of goods. Within the Explanatory Notes, there are a couple of indirect references where the need for recognition by competent national authorities is given as a requirement, e.g., "For the purposes of subheading 0701.10, the expression "seed" covers only potatoes which are regarded by the competent national authorities as intended for sowing". This is an indirect way of saying they must be certified or certifiable, but the Explanatory Notes are not part of the legal texts.

The reasons for this lack of use of certificates as a criterion in the legal texts of the HS has been previously discussed. The three primary reasons are:

- the lack of certification schemes agreed to by all Contracting Parties;
- the difficulties of verification; and
- the risk of the criteria changing independently from the HS and thereby changing the scope.

While the legal texts have some references to testing methods from specific standards, the same caution is also exhibited in relation to referencing standards for the first and third reasons given above about certification schemes.

In regard to these three points, the WCO would note the following points to be considered if there was a desire or need to introduce a certification-based provision.

In regard to the first point on agreement, for countries not recognising the certification for trade facilitation purposes, the duty rates and treatment would be the same for the classifications for certified and non-certified goods of that type. So global recognition may not be an absolute necessity, although, it would be highly desirable. The primary difficulty would not be non-recognition by a few, but recognition of different certifications among the WCO

Members that had varying criteria for certification. There would be a natural desire to have the certification recognised nationally as the one used.

The second point would be far more difficult. In practical terms, it would be easier to make such provisions if the certification of the goods was subject to a global agreement on certification which provides for verification, enforcement and remedies. In the meantime, this is a very challenging problem to be overcome for anyone proposing certification criteria in the HS.

Finally, it would be necessary to have a formal agreement with the certifying body to not make changes to the scope of the types of goods covered except with the agreement of the HSC and co-ordinated with the HS cycles.

The WCO has discussed with the relevant bodies both the desire from many environmental organisations and policy makers to consider certification as a criterion and the issues that would need to be resolved if that was to be considered.

The issues of identifiability and international agreement on definitions, also impact on creating classifications based on lifecycle stages, another reoccurring theme during the symposia.

Distinctions between new and used, for example, may appear relatively simple, but raise multiple issues. For example, are unsold retail goods, that is "shop soiled" goods, new or used? Are vehicles that have been through more than one sales transaction, but without being used as vehicles, new or used? What are the delineations between new and remanufactured goods? Likewise, when a product's lifecycle in its current form closes, does it become waste, or is it a secondary or a recyclable material?

Work on gaining agreement on basic definitions in this area is essential to any potential negotiation of HS provisions, as well as many other potential measures, based on lifecycle stages.

As another aspect of separately defining goods, the importance of "naming" should not be underestimated. Separating out and specifically naming goods is only done for goods that are considered important, whether this is a positive importance to trade or governments or as goods of concern. Once separately identified, it becomes far simpler to negotiate measures in relation to those goods or to have the importance of the trade recognised. It also provides far richer information on that trade. Naming can also change perceptions. For example, naming goods as 'used' versus 'remanufactured', 'waste' versus 'recyclable materials', or 'waste products' versus 'secondary materials', changes the perception and can result in different treatment.

Given this, there will always be interest in creating new provisions for separately identifying classes of goods. Which leads to questions on how we can allocate the prized, but limited, HS space. So there needs to be an understanding of what are the most valuable commodities to be covered.

Looking at the wide range of options for coverage presented within five short symposia, it highlights the value of considering systematic examination of HS sections as they stand in relation to the environmental priorities for environmental goods identified by policy makers globally.

This does not however negate the need for consideration now of individual proposals for high importance goods. There is a long negotiation time for multilateral environmental agreements and a subsequent long lead in time from HS proposal to implementation (up to seven years).

Not considering concrete proposals now for goods that have assumed high significance in trade and to our Member governments, would be contrary to our mandate for the timely up-date of the HS to keep pace with changing needs.

Turning to the outcomes of the five symposia, the following issues were presented.

Symposium 1: "Expanding food horizons - recognizing agricultural diversity for sustainable global food security".

During the presentations given at the 1st symposium, the possible areas that were suggested for amendment were:

- Organic food products
- Cell-cultured food products
- Plant-based animal product alternatives
- Aquaculture products

The list of areas was naturally constrained by speakers invited – not all areas of agricultural interest could be represented in a single session. However, it still covers a broad range of possibilities.

It is noted that there is currently no agreed definition on these products. For the identification of organic foods, it will be necessary to have a definition of these type of foods in close cooperation with relevant international organizations, such as FAO. As organic or nonorganic food products are identical when presented to Customs, it will be necessary to rely on recognized certification schemes to identify trade at the borders. This raises the issues mentioned above.

Cellular agriculture focuses on the production of agricultural products from cell cultures using a combination of biotechnology, tissue engineering, molecular biology, and synthetic biology to create and design new methods of producing proteins, fats, and tissues that would otherwise come from traditional agriculture (i.e., cell-cultured meat).

Plant-based animal product alternatives are considered more environmentally sustainable compared to animal products across a range of outcomes, including greenhouse gas emissions, water use, land use, and other outcomes.

In relation to both cellular agriculture and plant-based animal product alternatives, the WCO would recall to the attention of the HSC the changes made for microbial oils. This was a similar issue in that it was a case of traditional products (edible oils) that were classified in the HS by source being produced from new sources not covered for those products. In such cases, it has always been deemed desirable to amend the HS to enable classification without resort to GIR 4, an area of the GIRs with low levels of either customs familiarity or national judicial precedents.

In terms of the pace of development, the WCO would note that cellular products are developing rapidly, across meat, fish and dairy areas, and are likely to be traded internationally before 2027.

During the presentations it was suggested to develop new headings and/or subheadings covering products of aquaculture origin, which are difficult to differentiate from the products obtained at sea. It was suggested to develop a definition of "aquaculture products" for classification purposes, based on objective criteria, if possible, through close cooperation with FAO and other international organizations.

The WCO would note that if it is not possible to identify objective criteria, then certification would seem to be the issue again.

One point the WCO would note is that there are known problems with species fraud in relation to seafood. Detecting commercial scale species fraud is already a problem as the HS stands and, if a way could be found to recognise it appropriately, as discussed above, certification may actually assist in existing compliance issues.

Symposium 2: "How can the HS reflect needs to identify traded chemicals in relation to environmental measures".

During the presentations given at the 2nd symposium, it was suggested to identify some products, such as:

- Ethyl alcohol obtained by agricultural means
- Green gases
- Green electricity
- Green mineral oils
- Specific HS codes for key raw materials
- Bio-sourced, biodegradable, recycled or natural polymers

Once again, the distinction of ethyl alcohol obtained by agricultural means or synthetic fossil sources in the HS could present some analytical challenges. The distinction between green gases obtained from agricultural waste and other ways may also pose a challenge. It was suggested also to distinguish renewable energy from other types of energy.

With the development of technology, quality of life relies on access to a growing number of key raw materials, especially those associated with green products. It was noted that some of these key raw materials should have their specific HS code, such as helium, rare-earths metals, etc.

There are several international organizations discussing how to properly identify bio-sourced, biodegradable, recycled or natural polymers and single use plastics. It was noted that the WCO was following many of these conversations with interest and would welcome the submission of proposals. It was probable that there would be proposals for certain single-use plastics submitted, however, these would need to come in very quickly if the ambition is for HS2027.

In regard to chemicals of concern it was agreed that although the HS identifies the most important chemicals controlled by multilateral environmental agreements, more work will be necessary to increase the identification of certain hazardous substances (i.e., mercury products).

In the session, there was a lot of discussion on the difficulties of making provisions using criteria for which compliance cannot be determined from the physical goods, that is, for example, the production methods, sourcing of materials or eventual uses. It was noted by at least one speaker that it might be preferable to create provisions that rely on certification, for example, for green ethanol, and leave it to the administrations as to which certification scheme that they accept.

Symposium 3: "The textile industry: the interaction between textiles and the environment".

During the presentations it was noted that it was hard to quantify environmental impact or "good" or "bad" textile products. It was noted that there are more than 100 sustainable

certifications applicable to fashion and fibres. It was also noted that each type of textile fibre impacts differently in terms of climate change, water use, land use, eutrophication and toxicity. For example, in comparing two fibre one may be better in terms of reduced land use, but the other might be better for reduced water use, leaving it a question of which qualities are more important.

It was also noted that the concept of traceability is becoming more relevant and important in the textile industry, e.g., technologies, both physical and digital (e.g. blockchain), that allow the ability to trace raw materials throughout the supply chain. Technology developments in building identifying criteria into physical products may have future utility in opening possible criteria for HS provisions.

There is a push for circular, rather than throw-away, clothes to become the norm, fostering products that are durable, repairable, and with sufficient capacities for recycling. It was noted that the used fibre market was growing rapidly, only held back by the limitations on supply. So work was being done to improve the ability to recover fibres to go back into garment production. Hence identifying used or remanufactured garments, textiles and fibres will become increasingly important.

Specific HS codes were seen as needed by some speakers for trade facilitation, traceability and circularity purposes, so that the HS codes could be used in certification and licensing schemes to facilitate the link between Customs and sustainability.

In particular, improved provisions in Section XI in relation to textile "waste", fibres produced from textile waste, recycled textiles, and usable worn clothing would support the circularity push for the textile industry.

The inclusion of provisions in Chapter 84 for machinery used to recycle textile products would also be useful to support expansion of textile recycling operations.

In regard to the circular economy, several ISO standards on the circular economy were shown. These standards could assist in considering definitions for HS purposes.

One point the WCO would note is that the circular economy concept also highlights the value of durable, quality products that stay in use for longer. This is highly relevant for fibres and textile products, so there may also be interest in highlighting the most durable sustainable fibres, as well as garments and other textile products made from them, with specific provisions.

Symposium 4: "Reflecting the lifecycle of the basic materials - plastics, metals, wood and other sustainable alternatives".

During the presentations given at the 4th symposium, it was agreed that more granular HS provisions would help governments design and implement policies to reduce plastic pollution and implement effective circular economy policies. Greater granularity in the identification of environmentally preferable and environmentally damaging plastics can support transparency and monitoring of trade flows across the lifecycle of plastics, enabling governments to more effectively target restrictions, bans or trade support measures as appropriate. The rising interest in developing effective policies in relation to the trade of plastic materials and products to support environmental laws and regulations on plastic pollution makes the lack of more detailed knowledge on the type of plastics being traded an important issue for policy makers.

Speakers agreed that there was insufficient differentiation of primary plastics by polymer type and by feedstock (e.g., fossil fuel feedstocks, bio-based feedstocks, recycled feedstocks). It was

also agreed that there was insufficient breakdown of single-use plastic products of high environmental concern such as boxes, bottles and single-use tableware.

It was highlighted that there was also missing information on the amount of plastic packaging that is an integral part of other traded products, but that this may not be an issue that the HS could resolve.

It was noted that many plastic substitutes do not have specific HS subheadings, e.g., for banana or areca leaves, a potential material for non-plastic substitutes, or takeaway containers made from such leaves. It was noted that it would be a potentially simple, but high value, change to make provisions for some of these products.

Traceability by certification was seen as key to achieving the circularity of plastic waste materials, while ensuring effective environmental waste management operations.

In analysing this session, the WCO notes that while better identification of plastics is a major area of concern, there needed to be co-ordination between environmental, trade, and customs administrations at a national level, and between IGOs internationally, to ensure that this was translated into concrete proposals on the HS being submitted for consideration. It was highlighted that the deadline for finalising the next edition of the HS was March 2024.

Further, it would note that while much of the session had focused on plastics, there was also a strong need to identify more sustainable materials that can replace plastics.

As part of this consideration of desirable materials, there is also a need to consider that otherwise sustainable materials can be rendered undesirable by some methods of processing, e.g., by the use of unsustainable processing methods or by creating composite materials which mix unsustainable materials with token amounts of more sustainable materials.

Therefore, clear and well considered decisions are needed on what materials are important for separately identifying in the HS.

Symposium 5: "The environmental credentials of technology - can we identify the green status of equipment?”.

Speakers noted that there is no agreement on what can be considered as a ‘green’ technology and therefore, the HS is currently limited in its capacity to identify products that utilize these green technologies. The options proposed for discussing green technology products were to publish reference lists with ex-outs, to categorize goods based on production externalities, such as excessive water consumption or carbon dioxide emissions or to classify them based on environmental end-use.

Within the approach of the mechanical chapters, the definition of green products was discussed mentioning some specific product areas would benefit from attention in the HS as they are goods that fulfil environmental protection purposes in regard to their uses such as:

- water preservation
- energy saving
- thermal insulation
- hydroelectric power generation and the like

Certain categories of goods already examined under the framework of the Environmental Goods Agreement were mentioned such as:

Chapter 84

- Steam or other vapour generating boilers used for the production of heat and power by burning different kinds of biomass fuels, derived from woody and non-woody wastes and residues, like forest residues, yard clippings, municipal solid waste, or industrial waste
- Hydraulic turbines
- Pumps for liquids powered by renewable energy sources
- Furnace burners reducing nitrogen oxide emissions presented as parts of furnaces
- Valves (thermostatic radiator, electronic expansion, backwater, backflow)
- Transmission shafts used with wind turbines to produce electricity
- Machines for the manufacture of boules or wafers
- Solar water heaters
- Photovoltaic generators and luminaires

Chapter 85

- Electric motors and generators used in the production of renewable energy
- Electrical transformers as necessary components for power plants using renewable energy
- Electro-magnets for material sorting and separation during recycling operations
- Motion sensor and differential pressure switches contributing to energy efficiency
- Board panels as key components of solar photovoltaic energy systems

Chapter 90

- Industrial thermometers
- Oscilloscopes and oscillographs as parts of electronic control equipment in wind turbines
- Thermostats and manostats to control efficiency in air conditioning or heating systems

Monitoring the trade of these green technologies is important for meeting certain policy objectives, such as environmental protection and carbon neutrality.

It was also suggested to include as environmental goods the machinery and equipment used in the recycling industry, such as equipment used for the collection, sorting, separation, size reduction, material handling and safety of wastes. This may help countries wanting to promote the improvement in the capacity of their recycling facilities in assisting targeted facilitation and support for the import of such equipment.

In regard to certain machines, such as computers, it will be necessary to make the best use of available resources while preserving and reducing environment impacts by recycling, reusing and remanufacturing these types of apparatus. The challenge is how to distinguish and define the status of goods (new, used, remanufactured, etc.).

The WCO would note that for some of these goods, such as reverse vending machines, these are also products where trade is having trouble with classification clarity, and this would also assist in improving HS usability and uniformity in these growing areas.

General considerations for future work

Scope of potential changes

Knowledge of the trade in goods of environmental importance is critical to the on-going development of global environmental policy.

However, the importance of HS coverage does not only relate to revenue and statistical information. It also supports the application of environmental policy measures at borders, whether those measures are monitoring, restrictive or trade facilitative measures.

Hence, from the environmental perspective, the interest in inclusion of new HS provisions that separate out particular environmental goods of interest from their current inclusion in much broader provisions in the HS is high. This covers goods that fall into three categories: the environmentally harmful, which need to be monitored or restricted, the environmentally preferable, which should be promoted, and products used to mitigate or repair environmental damage, which are desirable to facilitate.

There is potentially a vast range of goods that may be useful to distinguish, and as standards, technologies, knowledge and policies change, what goods fall within the above categories will also evolve. This means that work will need to be on-going over more than one review cycle.

Consideration 1:

> The scope of potential HS changes that may be requested is extensive and will continue to evolve over future HS review cycles, meaning this will be an ongoing priority area.

Desirability of a clear policy mandate

To create provisions in the HS that are environmentally useful, it is necessary to know what goods should be covered. Another aspect that was clear in the symposia, was that the range of potential goods for coverage is far wider than the number that could be practically covered by name in the HS[1].

It was also highlighted in the symposia that what is environmentally desirable now, may not be environmentally desirable in the future. For example, goods may be superseded by heightened standards or better technology, while substances that may appear now to be desirable substitutions for damaging substances, may turn out themselves to have previously unrecognised toxicities or other dangerous characteristics.

Finally, goods may have both environmental benefits and costs, for example, something that is preferable in relation to climate change as it has lower emission, may, for example, be more water intensive. This may mean that discussion on international environmental policy in

[1] The HS covers all possible traded goods in the world, but within less then five and a half thousand provisions. This means that most provisions must cover a broad range of goods and that there are only limited opportunities for narrow provisions.

different forums may vary in their decisions on what they prioritise, depending on their specific focus.

Hence, an approach for incorporating environmentally focused provisions would be more effective if it looks holistically at sectors or other logical segmentations of traded goods. This is more efficient than ad hoc consideration of proposals on specific goods as the highest value changes can be prioritised and it would also reduce the risks of locking in goods or specifications that will soon be, or are already, superseded.

However, if there is a desire to make large-scale changes and to follow such an approach, it will require agreement between governments on what are the priority goods to be covered and how they might be defined. As noted in this document, the way in which such goods are defined is crucial to determining if an HS provision can be made. Reaching agreement on priorities and definitions is a significant challenge, but without widespread agreement between Member governments on these aspects, it would be very difficult to make significant progress in systematic HS changes.

Consideration 2:

> The success of international agreements on what are environmentally important goods (positive or negative) and how they are prioritised is critical to achieving optimal results from HS changes.

Need for ongoing discussions

A clear message of the symposia series was the importance of continuing the discussions, involving a full range of stakeholders. The publication of this report is part of this discussion.

Also important as an outcome of the discussions, are the increased connections being strengthened between the WCO, Members and other IGOs on these issues. The WCO will continue discussions and cooperation with Members and intergovernmental organizations on possible ways forward for improving the support the HS provides to those making environmental policies.

In addition, an understanding of green products, technologies and trade is gained from discussions with the trade, industry, scientific and academic communities.

Consideration 3:

> On-going dialogue with relevant intergovernmental organisations and other stakeholders is essential to understand the needs of environmental policy makers, and the nature of the goods that would be useful to name in specific HS provisions.

Requirement for greater understanding among negotiators of the potential role of Customs and what it can contribute to negotiations

One of the major problematic issues shown was a lack of understanding of how the HS currently works and the limitations that this creates in the type of criteria it can use.

In terms of structured policy discussions looking to develop future environmental agreements, it would increase the likelihood of producing agreements that work well at the border if there is an understanding of the HS within the groups looking to create definitions.

Involvement of the WCO and Customs administrations to assist with Customs knowledge during the development stage of international agreements would help to ensure that anything developed was implementable at the border. It would also give Customs a clear understanding of intent: critical to reflecting an agreement's needs within the HS.

It was also noted that there was a lot of work going on in different fora, creating a need to co-ordinate between discussions that are potentially creating requirements for HS support. This would ensure that there are not conflicting demands or criteria in relation to like goods. Such inconsistencies may render it impossible to provide HS provisions or other Customs measures.

Practical involvement of Customs and the WCO in international discussions on defining traded goods for environmental purposes needs to be promoted. As noted, for Customs and the WCO, this will facilitate the understanding of intent to help ensure that WCO Members can effectively create new codes to help implement to the agreement. It also will work to assist policy development by increasing the understanding of international bodies of the practical elements needed to turn policy into practice at Customs controlled borders, which will help to draft effective policy that can be implemented quickly and consistently.

Consideration 4:

> As Customs administrations and the WCO are vital to the implementation of agreements affecting cross-border trade globally, Customs expertise should be made available during the negotiation of multilateral environment agreements to assist environmental policy makers looking to develop border-implementable policies and strategies.

Practical knowledge of how to make HS proposals needs to be more freely available

However, the WCO would like to note that although discussions on environmental goods have been going on for a long time, and HS provisions have been created for environmental reasons, the number of environmentally motivated proposals that have been received over the years is still relatively small, and not all of these have been successful in entering the HS.

Given the seriousness of these issues, consideration needs to be given as to how to better facilitate Members and partner organisations to make strong "HS consideration ready" environmentally motivated proposals, thereby increasing both the number of proposals and the overall success rate.

Providing greater information on how the HS can support global policy, along with information for government administrations and intergovernmental organisations explaining how to draft and submit strong proposals would assist.

Consideration 5:

> More information on how to propose HS changes needs to be provided by the WCO to Members and IGOs.

The discussion on how to make the HS "greener" has implications for the future growth of the HS

One practical outcome of the symposia was that the ideas shared during the symposia were consolidated into the list of the inputs collected for the *Exploratory Study on a possible Strategic Review of HS* (the HS Study), providing a two-channel basis for examination.

The HS Study is a longer-term exercise being conducted to provide a report for WCO Members on the health of the HS and any possible future actions that might be considered to ensure its ongoing vigour as the major tool for the international recording and regulation of trade.

As the requirements of environmental policy frequently raises a need to identify some trade goods using criteria not currently used within the HS, examination of these requirements also raises questions on whether it is possible to incorporate new capabilities in the HS. This is the type of question that the HS Study is designed to ask.

As an additional benefit of feeding the symposia output into the HS Study, the Study provides the inputs received on specific provisions, including those added from these symposia, directly to the HSC. While a public report cannot comment on what is under negotiation, it has been open to the HSC to refer any of these items to the RSC for consideration if Members feel that it is a worthwhile idea that has a strong possibility of being negotiated in time for inclusion in the forthcoming HS edition.

Consideration 6:

> To accommodate the environmental policy needs, the HS may itself need to evolve, therefore the consideration of the long-term needs of emerging environmental policy needs to also be part of the work of the *Exploratory Study on a possible Strategic Review of HS* (the HS Study).

Environmental policy needs at the border is a broader discussion than the HS in isolation

In looking at potential goods for coverage, it needs to be acknowledged that for some products, it is likely to be necessary to open national subheadings, rather than HS subheadings, or implement other types of border measures, particularly where certification or consideration of end use is required. However, the benefits of creating HS provisions, primarily the global harmonisation and the ability to obtain globally comparable statistics on the trade, are not insignificant. Consideration needs to be given to methods of improving harmonisation and statistical comparability between *national* provisions of global interest should also be considered in order to bring some of the benefits of the HS to national measures.

One measure that could be considered by WCO Members is the possibility of using WCO HS Recommendations to seek greater uniformity in the wording of national provisions.

WCO HS recommendations are used for a range of purposes on a voluntary acceptance basis. One of the purposes they are currently used for is to assist Members to create time-sensitive national provisions relating to international agreements prior to agreed new HS provisions coming into force in the next edition. In theory, they could also be used to provide standardised terminology and placement for environmental provisions where many countries see the need for coverage for specific commodities, but the required numbers to get agreement to

implement in the HS was not achieved. This could be used by Members to create statistically comparable provisions.

Other trade measures implemented at the Customs borders that are aimed at implementing multilateral environmental agreements also become far more effective if a co-ordinated approach is adopted, meaning that strategies for Customs measures should be considered as part of the negotiations.

In addition, for the HS to be effective it needs to be paired with compliance measures aimed at preventing misuse of the HS. Finally, the Customs enforcement measures aimed at the illicit trade in environmentally damaging goods are critical. HS measures are a part only of the package of actions needed from Customs administrations to support environmental policy.

The ideal would be to launch a dialogue between stakeholders in environmental and trade policy issues and stakeholders in Customs issues to explore the role of Customs in environmental policy implication. This would include, but not be limited to, the role of the HS Nomenclature in the identification of environmental goods. For maximum effectiveness, actions at the border for multilateral environmental agreements or national environmental measures should involve a range of identification, compliance, facilitation and enforcement measures that work best when applied as part of an integrated strategy agreed between the responsible authorities for the underlying policy, Customs and any other relevant border agencies.

This also needs to be considered from the perspective of the Green Customs initiatives currently under discussion, which, in addition to internal measures looking at Customs' own environmental footprint, is also looking at a broad range of ways that Customs may be able to contribute through Customs measures. This work has input from across the WCO, including Nomenclature (the HS), Valuation, Origin, Facilitation, Compliance, Research and Capacity Building, and is under active consideration by Members.

In addition, good governance mechanisms and strengthened cooperation between Customs and other regulatory agencies at the border adds to the overall ability of Customs to provide a coherent response to environmental policy requirements from multilateral environmental agreements or national regulation and should form part of such conversations.

Consideration 7:

> The HS alone will be insufficient to address all the environmentally focused border controls and information acquisition measures required and a broad approach by Customs administrations and the WCO should be taken in looking at how they can address environmental policy needs within the available Customs tools.

List of general considerations for future work

Consideration 1:

The scope of potential HS changes that may be requested is extensive and will continue to evolve over future HS review cycles, meaning this will be an ongoing priority area.

Consideration 2:

The success of international agreements on what are environmentally important goods (positive or negative) and how they are prioritised is critical to achieving optimal results from HS changes.

Consideration 3:

On-going dialogue with relevant intergovernmental organisations and other stakeholders is essential to understand the needs of environmental policy makers, and the nature of the goods that would be useful to name in specific HS provisions.

Consideration 4:

As Customs administrations and the WCO are vital to the implementation of agreements affecting cross-border trade globally, Customs expertise should be made available during the negotiation of multilateral environment agreements to assist environmental policy makers looking to develop border-implementable policies and strategies.

Consideration 5:

More information on how to propose HS changes needs to be provided by the WCO to Members and IGOs.

Consideration 6:

To accommodate the environmental policy needs, the HS may itself need to evolve, therefore the consideration of the long-term needs of emerging environmental policy needs to also be part of the work of the *Exploratory Study on a possible Strategic Review of HS* (the HS Study).

Consideration 7:

The HS alone will be insufficient to address all environmentally focused border controls and information acquisition measures required and, therefore, a broad approach by Customs administrations and the WCO should be taken in looking at how they can address environmental policy needs within the available Customs tools.

Future Actions

This Symposia series has been an important step forward in the necessary discussions as to what can help to make the HS increasingly greener in its future editions. To ensure its value is not lost, it needs to be followed on with further multi-stakeholder discussion and new initiatives.

Looking at the general considerations, the WCO will:

- Increase communications and co-operation with partner IGOs working in environmental policy development areas to provide a Customs perspective on the impact of cross-border trade and potential measures as pertinent to their discussions;

- Publish guidance on how proposals for changes to the HS are made to assist WCO Members and intergovernmental organisations looking at putting forward such proposals;

- Continue discussions within the HS Committee on these issues generally and, as appropriate, offer suggestions for specific matters or types of goods that Members may wish to consider based on the outcomes of the symposia;

- Incorporate the input into the HS Study to better inform the Study in relation to the potential changing requirements for the HS posed by environmental policy needs; and

- Subject to resourcing, programme future events into the WCO its calendar to follow on from this series.

Conclusion

The "Visualising a greener HS" symposia series was an important step in opening a wider discussion between people from Customs, other government administrations, IGOs, academia and trade of how the HS could respond to the needs of environmental policy. It attracted a broad range of participants demonstrating the relevance of issues being considered.

In addition to opening the discussion space, it also clarified many of the issues that will need to be addressed if we are to effectively meet the future needs from environmental policy that are being projected onto the HS.

Many of the types of products that are of interest could be incorporated into named provisions in the HS. For these it is a matter of how the needs and, importantly, the priorities can be properly communicated to the HS working bodies. The principal issues around these goods are how the goods are defined, including the longevity and the compliance testability of the definition, and what are the priorities, recognising that not all goods can be separately identified. This comes down to needing better communication and connection between the policy makers and the HS bodies before definitions are locked into agreements.

However, for other types of goods there are more fundamental problems.

Chief among these is the difficulties that arise from environmental considerations often being based on "whole of product life" considerations while the HS deals only with "product as presented". The creates a gap between the expectations of policy makers and the realities of what the HS can offer today.

The primary challenge will be addressing this gap and there is no single solution. Further discussion, work and research is required on these fundamental issues. The HS itself may need to expand its capabilities to be able to meet these rising needs, which is part of the brief of the HS Study to consider.

However, it is also likely that to bridge the gap between the needs of other policy areas to identify goods at the border and what can be done within the HS, that a broader range of Customs solutions will need to be used in concert with each other and with the HS. The HS alone is unlikely to ever be a panacea for all of these problems.

This will require a greater understanding on the part of non-Customs policy makers on what the possibilities are and from the Customs side, greater understanding of the diverse policy needs and involvement in finding solutions.

As the above illustrates, the major point to be taken from this work to date is that there needs to be greater communication and collaboration between Customs, including the WCO HS bodies, and other policy administrations, including representative IGOs, on environmental issues. Sharing understanding of the issues and the potential ways that these might be addressed at the border between these parties will help to develop strong and effective strategies for implementation. The conversation needs to continue.

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