

# Summary Report

## Green Customs Global Conference

27-28 June 2022



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### Forward

This Report summarizes the insights and results from the Green Customs Global Conference organized by the World Customs Organization (WCO) on 27 and 28 June 2022 at WCO headquarters in Brussels.

For the first time, the Conference brought together a number of stakeholders active in the fields of trade, Customs and the environment, to work together with a shared ambition – promoting environmental protection at the border. Given recent developments in trade and urgent environmental imperatives, this event was important in terms of clarifying emerging trends and identifying possible focus areas for cooperation, prioritization and best practices.

More than 20 speakers, 200 in-person participants and over 600 online participants representing Customs administrations, international organizations, non-governmental organizations (NGOs), universities and the private sector participated in the Conference, which was made possible by the financial support of the WCO. The purpose of this Summary Report is to take stock of all the practical issues, challenges and opportunities facing stakeholders.

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## Launch of the Green Customs Global Conference

### Background to Green Customs

Trade has played a traditional and historic role in the increase in environmental pressures on a global scale, from natural resource depletion, illicit or improper waste management, air pollution and water contamination to biodiversity losses. Among the solutions considered, the implementation of environmental policies at the border and new business model approaches can unlock the full potential for a suitable transition towards sustainable trade. While Governments have been requested to continue their global efforts to address urgent environmental concerns, a large number of complex environmental, economic and social changes raise **practical questions for day-to-day Customs activities**.

One possible issue which is relevant to Customs is **how trade metrics can help support the efforts of Customs administrations to achieve global ambitions on the environmental regulation of trade**. Flows of commodities are increasing, with many crossing two or more borders. The environmental footprint of these commodities is commonly missing from international trade statistics. This highlights the difficulties of monitoring trade in a manner that takes account of its substantial impacts on the environment.

A second possible issue is **whether, and how, Circular Economy (CE) and pro-environmental policies affect the scope of Customs' responsibilities and duties**. Implementing CE policies at the national level can, or will reshape the traditional pattern of trade in certain regions of the world. At present, it is still difficult to determine whether these policies will bring about either radical or minor changes in the responsibilities and duties of Customs administrations.

Another issue of interest is **what changes might be needed in terms of the revision of the Harmonized System (HS) in order to better track the evolution of trade towards the achievement of the Sustainable Development Goals (SDGs)**. The HS code classification is an essential economic trade tool for monitoring commodities and revenue collection. Over the past few decades, the primary economic role of the HS has gradually changed towards accounting for new environmental and social concerns. This highlights a core challenge – how to properly classify traded goods according to their sustainability aspects and/or CE principles.

Customs plays an essential role in the protection of environment at the borders, by implementing MEAs and fighting against environmental crime. These Customs functions can be grouped into a general concept of “Green Customs”. By extension, such concept lays the groundwork for achieving a better understanding of Customs responses in addressing present and future environmental challenges. In a variety of areas, Customs administrations can and could play a more proactive role for environment matters following the recent developments in trade, including the growth of the CE, the proliferation of Multilateral Environmental Agreements (MEAs) and the possible changes in illicit trade in natural resources.

An event centred on the topic of Green Customs therefore provides a unique opportunity to **take stock of all the practical issues facing Customs administrations in the field of environment protection**. The Green Customs Global Conference was designed and developed with this in mind, to recall how environmental policies are implemented at the border with the aim of preserving environmental resources and reducing pollution, to hold informed discussions and lead environmental debates on the critical role of trade, and to explore possible areas for cooperation, best practices and policy priorities reflecting the views of the different stakeholders.

## Objectives of the Conference

The Conference brought together key stakeholders active in the fields of Trade, Customs and the Environment, with the underlying aim of shedding light on the important role of Green Customs. The four initial objectives of the Conference were as follows:

- **Objective 1:** Framing the scope of the environmental debate in which Customs can play a major part, and understanding how Customs can take further action and contribute to the achievement of environmental objectives;
- **Objective 2:** Assessing stakeholder priorities and gathering proposals for a forward-looking WCO agenda on protecting the environment through trade and sustainable supply chains;
- **Objective 3:** Taking the perspective of developing countries into account;
- **Objective 4:** Identifying gaps in international instruments and tools.

The Green Customs Global Conference was a multi-stakeholder event helping to highlight the degree of complexity around the strong relationships between trade, the environment and Customs. In order to clarify the various sustainability aspects of trade, a multi-disciplinary approach saw experts in the different domains address a wide range of environmental challenges (including waste management, air pollution, deforestation) based on practical examples of commodities such as vehicles, plastics, wastes and timber, to name a few.

The Conference was divided into two main parts. The first day included a keynote speech, two specific panels dedicated to the Circular Economy and Case Studies on waste trade, plus a side event on the timber trade and deforestation. The second day was devoted to two panels, dedicated to HS classification and discussions on the role and responsibilities of Green Customs, plus concluding remarks.

Although remote events were the general rule because of the COVID-19 pandemic, the Conference benefitted from the physical presence of two hundred participants, which facilitated more interactive, in-depth and meaningful discussions about practical Customs issues.

This Report presents the key takeaways and a summary of the various panel discussions, following the chronological order of the Conference.

## Keynote speech

**Mr. Gerassimos Thomas, Director General, Directorate-General for Taxation and Customs Union (DG TAXUD), European Commission**, began his keynote speech by recalling the strong support of the European Commission for the topic of Green Customs as the new focus priority for WCO. The European Union has adopted an ambitious agenda to decarbonize global value chains, which includes the “Fit-for-55” package and the REPowerEU plan. A number of Customs reforms have progressed, or need to be implemented in the environment field. It requires a substantial change in Customs operations. Some examples of supportive measures are the following:

- The monitoring of trade in environmental goods and services (EGSs) could benefit from better identification in the HS code classification. European Union is examining products with positive effects on environment, among products for water preservation, hydroelectric power generation.
- The role of EU Customs should change by enforcing a zero-carbon policy at the border. Changes in the regulation of waste shipments would facilitate the cross-border movement of recycling wastes, with a strong focus on the “third country” perspective. The monitoring and control of trade in wastes will support these efforts in terms of ensuring that non-OECD countries have the ability to treat wastes with due regard for the sustainability aspects.
- The proposal for deforestation-free products will contribute to reduce Greenhouse gases by ensuring that only deforestation-free products will enter in the EU market.

Possible changes in Customs activities will be driven by **digitalization** (through the EU Single Window Environment), **standards** (eco-design for sustainable and circular products), the **collection of data** for more transparency on the environmental footprint of products (digital product passport), the growth of the **Circular Economy** (trade in second-hand goods), the **greening of Customs administrations** (resource efficiency, green public procurement).

The Commission started a process of setting up the WISE Persons Group (WPG) to review the role of Customs in a broader perspective. The greening of Customs will be an important component of the forthcoming reforms, by considering both incentives and regulation matters.

## Part 1: Circular Economy and Case Studies on waste trade

### 10 key takeaways from Day 1

1. The Circular Economy, as a high priority in the Green Agenda, can be part of the solutions for reducing the environmental footprint of commodities and contributing to the achievement of the SDGs in global trade.
2. Transition to a CE and the increasing integration of global supply chains would bring about major environmental, social and economic changes, many of which imply a more proactive environmental role for Customs.
3. CE outcomes are not devoid of environmental shortcomings, and these will need to be identified, monitored, controlled and regulated across international borders.
4. Trade based on CE practices covers a variety of commodities including not only recycled goods, but also refurbished, remanufactured and reused goods.
5. The private sector can play a supportive role in helping to better assess the substantial environmental impacts of trade, by collecting more frequent and accurate information on the environmental footprint of commodities.
6. Customs administrations have responsibilities that involve the monitoring and control trade in wastes and scraps. Some of these traded goods can be used as key materials for recycling activities.
7. The lack of global standards on what constitutes CE goods opens up space for multiple interpretations by different countries when it comes to the classification, monitoring, restriction and regulation of such goods.
8. Inherent in the rise of the CE will be the potential disruption of traditional trade patterns, and this will pose significant Customs challenges for the developing countries to consider.
9. Raising awareness of CE trends and the emerging threats underlying them is critical if Customs are to protect the environment through trade and sustainable supply chains.
10. There is a need to clarify how, and to what extent Customs can support environmental policies.

## Panel 1: Circular Economy

### Short summary

AIM: to raise awareness of the Circular Economy model, the related environmental policies that are being developed and the possible implications for Customs.

The Circular Economy has considerable potential to break the traditional trends of international trade and its substantial impact on the environment. CE practices around repairing, refurbishing, reusing and recycling will affect the traditional business model approach of industries by causing them to ensure a more sustainable use of resources. These changes in industries will, in turn, affect the circulation of traded goods, giving rise to possible changes in the ways that Customs implement trade measures and control trade at the border. The panel revisited the concept of the CE and its emerging trends in the fields of trade, the environment and Customs. Experts from academia, international organizations and the private sector shared their different perspectives and experiences on a number of CE issues.

**Dr. Shardul Agrawala, Head of the Environment and Economy Integration Division, Environment Directorate, OECD**, drew attention to the strong interlinkages between the Circular Economy (CE), trade and the environment. The topic of CE has become a high priority on the international agenda, partly because the transition to a CE will produce significant economic and environmental changes beyond the borders of individual countries. The concept of CE needs to be extended to the entire supply chain. The trade-related scope of the CE is broader than recycled commodities alone, also encompassing repaired, refurbished, reused and remanufactured goods. A trade-off will be required between the positive outcomes of the CE on the environment and its possible negative outcomes. Given the expected positive impacts, OECD projections have highlighted the positive role of trade in terms of the reduced use of resources. Some negative impacts may result from the emerging trends in second-hand goods, as for example the efficiency gap between used cars and electric vehicles. Challenges are to increase transparency and traceability for circular trade, clarify the different definitions and classifications of CE goods (e.g., differences between wastes, non-wastes and illegal wastes), promote cooperation towards the implementation of common standards on CE, regulate and control the flows of the commodities concerned, and extend the scope of cooperation in the areas of best practices, innovation and trade facilitation.

**Mr. Antoine Oger, Institute for European Environmental Policy (IEEP), co-author of Chatham House paper on Trade for an Inclusive Circular Economy**, presented a proposed common framework for collective action whereby trade can lead to a more inclusive CE. Transition to a CE will have positive environmental effects through trading, with important related changes in the traditional patterns of economies. As a first step it is important to clarify target outcomes, shaped mainly around four distinct SDGs – SDGs 8, 10, 12 and 17. Recent trade trends have revealed a rapid expansion of CE flows compared with flows of other traded goods, which suggests that the CE will play an important role in world trade in the future. The proposed framework outlines four principles for action, to guide activities in the possible areas for collective action. The HS classification of CE goods, links to Environmental Goods and Services (EGS), the creation of international standards based on CE principles, and the consideration of developing countries are among the key areas for targeted actions.

**Mr. Stephan Freismuth, Director EU-Trade, Tax and Finance Policy, Governmental Affairs and External Relations Europe BMW Group**, shared perspectives from the private sector concerning the automobile value chain. A BMW use case shows how building a data-driven value chain can contribute to positive CE outcomes: resource efficiency, reduced air pollution and better transparency. The project is expected to collect accurate and up-to-date information on the environmental footprint of

cars by covering the entire automobile value chain, from the supplier network to the various partners in different domains (transport, production, distribution, recycling). Digital solutions can offer important leverage for extending data collection to cover the sustainability aspects of a product in greater detail. From a private sector perspective, key challenges related to sustainable supply chains are data collection, technology and scientific advances, international cooperation, the promotion of CE principles, tariff barriers on wastes, and rules of origin facilitation for commodities based on CE practices.

**Mr. Ross Bartley, Trade & Environment Director, Bureau of International Recycling**, presented the perspective of the global recycling industry. In recycling, areas of work include a number of commodities such as ferrous metals, non-ferrous metals, paper, textiles, e-scrap, plastics, stainless steel and special alloys, tyres and rubber. Global trade in recyclable materials is significant, amounting – in 2021 – to around 927 million tons, valued at approximately \$191 billion. Waste materials arise following the consumption stage, and these materials differ from goods for direct reuse. The proper identification of wastes and recyclable materials can be a difficult task in terms of consistency between countries. Case studies have pointed to several examples of Customs fraud involving the misclassification of goods. A product which is a waste commodity can be disguised as a recyclable commodity. A better distinction between waste products and recyclable materials across countries will require the implementation of international standards.

#### Side event: Global deforestation and sustainable supply chain: the role of Customs

**Ms. Anke Schulmeister-Oldenhove, Senior Forest Policy Officer, WWF European Policy Office**, presented an environmental NGO's perspective on the key role of soft commodities and traceability in the fight against deforestation. Global trends in deforestation are driven primarily by the expansion of agriculture (which accounts for 80%-90% of deforestation according to FAO estimates), and this has important implications for international trade and its environmental impacts. Some commodities, including soy, palm oil, beef, wood products, cocoa and coffee, have a high impact on tropical deforestation before being imported into the EU. Increasing the traceability of traded goods is important in terms of preventing global deforestation. As a result of the Amazon Soy Moratorium, a voluntary commitment of companies, trade in soy has largely reduced its Forest footprint, but meanwhile soy production has continued to increase. In that context, Customs are playing an important role in enforcing environmental laws on deforestation by controlling the compliance of products with environmental standards and cooperating with other Customs and enforcement authorities for the risk management of non-compliant products.

**Mr. Michael Rice, Lawyer, Forest-risk Commodities, Client Earth**, presented three examples on how Customs could support the implementation and enforcement of new supply chain regulation. The EU, the US and the UK will implement control measures on deforestation to manage more sustainable supply chains. These policy changes are being driven partly by the pressing issue of deforestation<sup>1</sup>. The first of these cases is a proposed EU regulation listing products<sup>2</sup> that have significant impacts on deforestation. Customs declarations will include a reference to products being deforestation-free in order to meet the requirements of the new regulation<sup>3</sup>. Customs will automatically be alerted to any products that fail to comply with the requirement. Also, it is proposed that the digital interface known as the Customs "Single Window Environment" be reviewed in support of further traceability and

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<sup>1</sup> "Around 1.3 billion people depend directly on forests for their survival, including most of the world's Indigenous Peoples. Every third person on Earth relies on forests for subsistence and income, and forests support 80% of all plants, animals and insects found on land."

<sup>2</sup> "The list includes agricultural commodities and wood as well as the main products consumed in the EU that are made from or made using them."

<sup>3</sup> "Timber products must be deforestation-free and produced legally in order to be placed on or exported from the EU market."



transparency. The second case is the US FOREST Act, which will prohibit imports of a list of commodities<sup>4</sup> produced on illegally deforested land. Under the Act, companies are obligated to file a declaration such that the product must comply with the requirements. Additional supply chain information will be requested for any products imported from high deforestation-risk countries. The third, in the UK, is the proposed Schedule 17 of the Environment Act 2021, which restricts large companies from using listed products<sup>5</sup> in their domestic activities.

## Panel 2: Cross-border movement of waste: Case Studies

### Short Summary:

AIM: to present case studies about the implementation of green trade policies for environmental protection, including challenges in the valuation, identification and detection of waste, as well as its disposal

Customs already play a large role in the regulation of waste trade at the border, with some significant cross-border issues but also strong Customs experience sharing. The main focus of this panel was to provide a practical perspective on how, and to what extent, Customs monitor and control traded wastes. On the one hand, emerging trends in wastes may pose an extensive range of environmental and Customs challenges that need to be clarified. On the other hand, some of the waste traded is essential for recycling and may, under specified conditions, contribute to more sustainable trade. Customs officers and experts from industry and international organizations shared their different experiences of the most urgent issues in the area of waste.

**Mr. Soma Baskoro, Enforcement and Investigation Division, Indonesia Customs**, shared his national experience of the implementation of the WCO Asia Pacific Plastic Waste Project. Indonesia's plastic waste imports have almost doubled in one year, following China's prohibition on imported plastic wastes. Indonesia has many entry points, and a significant proportion of these wastes arrive in the Customs territories of Dumai and Batam. Customs risk management is supported by the use of tools such as supplier and importer profiling, Country of Origin profiling and HS profiling. In line with Article 53 of the Customs Act, plastic wastes are prohibited if hazardous and restricted if non-hazardous. On a practical level, Customs detects cases of illegal waste trade. Indonesia Customs contributes significantly to sustainability in a variety of fields by implementing MEAs, adopting the Single Window approach, cutting maritime plastic wastes by 70% in 2025, and participating in the Asia Pacific Plastic Waste Project since 2021.

**Ms. Martina Kavanagh, Executive Program Manager, Import Compliance Office, EMEA IBM**, provided a perspective from the Information and Technology Communication (ICT) industry on key challenges at the border in terms of the trade in remanufactured goods. Import restrictions and prohibitions constitute an obstacle to CE trade in the case of remanufactured or refurbished goods. IBM is active in the CE field, including the implementation of remanufacturing programmes to foster good CE practices. The industry can face certain difficulties in trading remanufactured goods, including a lack of clear guidance on how to differentiate remanufactured goods from used goods at the border, no specific criteria being shared by Government agencies for the identification of remanufactured goods, import restrictions motivated partly by concerns other than environmental ones, and lengthy and inefficient permit and licensing processes. The company recognizes the importance of implementing clear international standards on remanufactured ITC parts. Other measures to support the trade in remanufactured goods would be to implement a consultation mechanism with regulatory agencies

<sup>4</sup> "The list of concerned products will include palm oil, soybeans, cocoa, cattle, rubber and wood pulp and a number of products for each commodity specified by HTS codes."

<sup>5</sup> "The targeted commodities include illegally produced soft commodities and products derived from them."

and improve the allocation process for permits, in line with the importance of reducing and removing barriers to the CE. The introduction of standardized criteria on what constitutes remanufactured goods would be beneficial to all, as a means of supporting the global efforts to address urgent environmental issues.

**Mr. Tom Gammage, Ocean Campaigner, Environmental Investigation Agency (EIA)**, highlighted the risks of environmental crime behind the trade in plastic wastes. Exports of plastic wastes continue to increase, and about 90% of these flows come from OECD countries. One alarming trend is the development of the illegal plastics trade as a profitable activity for organized crime, estimated at 15 billion euros within the EU area alone. This illegal trade encompasses different aspects, including concealment (hiding wastes), misdeclaration (falsified declaration of a shipment) and transshipment (using a series of ports and carriers to mask the origin, shipper, consignee, etc.). Trade monitoring is highly challenging in the case of plastic wastes, because of the high volumes involved, the heterogeneous characteristics of plastic wastes, the lack of guidance for waste identification, and a misalignment between the HS codes and the Basel codes. A further challenge is how to better reflect the differences between wastes and non-wastes using the HS tool. Being a low-penalty activity tends to make the illegal trade in wastes more profitable. To respond to these challenges, more cooperation will be required between agencies, as well as strengthened collaboration with NGOs and the private sector.

**Mr. Dave Serneels, Risk Analyst, Belgian Customs and Excise**, shared a case study on Belgian Customs' implementation of the WCO DEMETER Operations. Belgian Customs actively supports environmental protection at the border. Close cooperation between Customs and the Environmental Inspectorate has led to a series of notable outcomes including risk profiling, support with physical and documentary checks, as well as seizures. In particular, Belgian Customs has targeted waste exports of plastics, polymers of vinyl chloride, copper and pharmaceutical products. Previous Demeter Operations included five different illegal shipment cases which are worth highlighting:

- Case 1 concerned an illegal shipment of paper waste to Ecuador, to which waste exports are prohibited. The use of risk profiling, plus further inspections, made it possible to detect this Customs fraud;
- Case 2 concerned an illegal shipment of used motor vehicle parts to Madagascar. The commodity specified on the invoice should be considered as a waste, whose export from OECD to non-OECD countries is prohibited.
- Case 3 was an illegal shipment from Canada to India, with transshipment in Antwerp. Based on the information shown on the goods manifest and the invoice, an inspection was carried out. 20–30 % of the cargo was household waste and medical waste, not paper waste as indicated. The entire cargo was returned to Canada for further investigation.
- Case 4 was an illegal shipment of kraft bags to India. This was paper waste, and therefore was supposed to be subject to the Prior Informed Consent (PIC) procedure.
- Case 5 concerned an illegal shipment of PVC to Pakistan. The shipment was not declared as waste, and the export of wastes from the EU to non-OECD countries is prohibited.

## Part 2: HS codes and Green Customs perspectives

### 10 key takeaways from Day 2

1. Recent changes in HS codes have increased further visibility of certain goods incorporating sustainability aspects, however, further changes to identify key goods of environmental significance in future editions is vital to provide data and to ease policy implementation.
2. A product-based approach helps to prioritize actions which are needed for tackling specific environmental challenges related to commodities. Plastics, e-waste, CE goods and new technologies are among the top priorities.
3. Customs have contributed to addressing global and regional environmental issues by identifying harmful products, monitoring and controlling their trade as requested by existing MEAs. The addition of more responsibilities in other fields may add complexity to Customs activities.
4. Developing countries are facing important challenges in terms of dealing with the trade in waste; training, capacity building and international cooperation will be required.
5. New trade monitoring tools are at the experimental stage in the EU and China, to better collect, track and monitor information on commodities (including their environmental footprint).
6. Stronger cooperation between the WCO and the WTO could help strengthen the transition to a green economy from a trade perspective.
7. Environmental, economic and social changes give rise to increased uncertainty for Customs in terms of the role it is expected to play; in this context, experience sharing is essential for determining the feasibility of implementing CE policy measures at the border.
8. To facilitate CE monitoring it would be necessary to increase the visibility at the border of the production process and the recycling, refurbishing, repairing and reusing of the good.
9. Customs activity already contributes to sustainability, and the growth of the CE is likely to extend and reinforce the scope of Customs activities in this field.
10. Data collection is a key challenge for the trade monitoring of global supply chains and their impact (which is substantial) on the environment.

### Panel 3: From policy to implementation: the HS and other Customs Trade Measures

#### Short Summary

AIM: to present gaps and opportunities in classification and other trade measures for environmental objectives which are relevant to Customs operations

The Harmonized System (HS) is a common instrument for the classification of goods, used – but not exclusively – for the collection of data on international trade. Customs rely on the HS codes to implement trade measures. Given the urgent need to alleviate critical environmental concerns, the HS can be an effective tool for prioritizing and extending the scope for more effective environmental policies. Through the participation of different experts drawn from academia and from international organizations, this panel addressed both the challenges and the opportunities inherent in integrating goods relevant to environmental concerns into the HS codes, notably for the next edition (HS2027).

**Mr. Ronald Steenblik, Senior Fellow, International Institute for Sustainable Development**, presented some practical issues encountered with the classification of Environmental Goods and Services (EGSs). Since 1995, there have been several attempts to reduce or remove the burden of tariff barriers on EGSs to facilitate their circulation. In a period of rapid technological advances, the arrival of new goods challenges the five-year HS revision process, also giving rise to an issue for data collection and the monitoring of EGSs. Some countries have recently worked on drawing up a list of EGSs; the United Kingdom and New Zealand released a list of environmental goods in February 2022. However, only one-third of these goods are currently reflected in the HS codes in Chapters 84, 85 and 90. Given the importance of the classification issue, national Customs codes can also provide a flexible option for incorporating EGSs and regulating them at the national level. Nevertheless, the environmental and health challenges created by climate change, sanitary and waste management need to be addressed globally.

**Dr. Carolyn Deere Birkbeck, Director, Forum on Trade, Environment and the SDGs (TESS)**, presented the issue of the classification of plastics for monitoring sustainable trade. Environmental imperatives in the area of plastics remain a pressing concern<sup>6</sup>, and CE practices have the full potential to mitigate plastics pollution. Seventy-two WTO Members have recognized the importance of addressing plastics pollution and opened an informal dialogue on Plastics Pollution and Environmentally Sustainable Plastics Trade. The plastics debate further highlights the importance of better identifying pollution sources at different points in the lifecycle of plastics. The TESS study points out that the classification of plastics in the HS does not enable a large proportion of “hidden” plastics products to be identified, thus reducing the scope for global trade monitoring<sup>7</sup>. National monitoring through more granularity at the level of the HS codes could be effective at different levels: green policy design, prohibitions and restrictions, facilitation and regulation. The study highlighted certain limitations of the current plastics classification, in terms of the identification of primary plastics, different sources of plastics, additives (e.g., POPs), plastic bags and packaging. Digital solutions based on international standards might lend themselves to more effective tracking and monitoring of trade in plastics.

(WCO Secretariat)

It was noted that the new HS codes that need to be made available to address environmental concerns do need to be implementable at the border. It was also noted that time is pressing. The final package

<sup>6</sup> OECD projects that plastics pollution will double by 2060.

<sup>7</sup> 60% of plastics production crosses borders, but this is poorly reflected in trade statistics.

of proposals for HS2027 goes to the WCO Council in June 2024. That means final voting on the package must take place at the HS Committee session in March 2024. The final drafting of proposals by the HS Review Sub-Committee needs to happen at the Sub-Committee's November 2023 meeting. The 5-year HS review cycle is standard, but is not stipulated in the HS Convention. It still needs a proposal from a Member in order to be agreed at the HS Committee.

**Ms. Melisa Lim, Programme Management Officer, Secretariat of the Basel, Rotterdam and Stockholm Conventions**, outlined the common objective of the three merged MEAs to protect the environment and maintain human health at the border. The Basel Convention has identified more than 60 codes for wastes, after a 25-year negotiation process which is still ongoing. As a high priority, there is a need for a large number of waste codes to be much more strongly reflected in the HS. Ten years of negotiations were needed to achieve the inclusion of e-waste in the 2020 list. Where e-waste is concerned, better alignment between the HS codes and the Basel codes for plastics wastes will contribute towards simplifying the classification of these goods. HS codes differ from MEA codes in that the HS codes identify goods based on their physical characteristics, whereas the MEA codes identify goods according to their usage and country of destination. Another key issue to be considered is the limited capacities of developing countries to deal with the full control and regulation of hazardous wastes. The Basel Secretariat can support Customs' efforts through the implementation of a cooperation programme between environmental authorities and Customs. The Basel Secretariat is currently working on how to make the PIC procedures e-system consistent with the Single Window system.

**Mr. Konstantinos Kaiopoulos, WCO Director of Tariff and Trade Affairs**, presented a broad overview of the HS codes and their sustainability aspects. HS codes are a tool for the classification of goods for applying tariffs or restrictions, and collecting key trade statistics for monitoring and policy purposes. The HS is used to address global trade challenges such as environmental protection, through the monitoring and control of substances covered by MEAs<sup>8</sup>. Further subdivisions within the HS codes make it possible to address more specific needs for regional or national tariffication. A recent shift in focus has been observed, from HS 2017 onwards, towards the consideration of environmentally friendly goods in the classification. Significant changes in HS 2022 have further increased the visibility of certain goods that have positive environmental impacts, with provision being made for environmentally threatening goods, environmentally preferable goods, vulnerable species and goods for climate change mitigation. The next steps in the HS2027 review will require the identification of clearly definable goods that have a substantial impact on the environment. If the classification of goods relies on criteria other than their physical characteristics (e.g., means of production, intended use), other tools will need to be used for data collection and monitoring.

#### Panel 4: Paving the way for Green Customs: what can Customs do, or will it have to do?

**Short summary:**

AIM: to identify possible solutions for Customs to foster the implementation of green trade policies for environmental protection

What can, or will Customs do in order to participate actively in the global efforts to address major environmental imperatives? In this panel, experts from Customs administrations, international organizations and academia further discussed the current and future role of Green Customs. The panel primarily highlighted Customs' important responsibilities for environmental protection and preservation. Based on the direct experience of Customs administrations, the panel also identified

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<sup>8</sup> The primary use of the HS in this regard, over most of its lifespan, has been in identifying environmentally harmful goods that fall under MEAs.

key actions and priorities when implementing environmental policies at the border. Digital transformations and data collection at product level can help support the efforts to track, monitor and control trade in goods which have a substantial impact on the environment.

**Mr. Jean-Marie Paugam, WTO Deputy Director-General**, referred to the critical role of trade in responding to emerging environmental challenges. Environmental policies at the border have multiplied since 2009. Among WTO Members, 1 in 6 trade measures (out of a total of 14 600 notified measures) now cover the environmental field – up from 1 in 12 measures in 1997. These policy measures may include environmental requirements, conformity, risk assessment procedures, import and export licences, bans and quotas. Given current integration in global supply chains, it is still difficult to monitor the environmental impact of goods through international trade statistics. In this context, plastics commodities and CE goods are both high priorities on the WTO's agenda. In the case of plastics, international statistics hide a significant proportion of global trade. Missing information flows on plastics-based textiles and plastic packaging highlight the issue of data collection at country level. Meanwhile, plastic pollution is a serious global concern for developed and, especially, developing countries.

**Mr. Ian Saunders, Deputy Assistant Secretary, US Department of Commerce**, presented the implementation of the Green Customs Strategy by the US. Global trade supply chains account for a substantial proportion of trade pollution, estimated to 80% of carbon emissions. Environmental crimes remain significant, with revenues valued at approximately \$85B - \$265B. Tackling these issues will require the decarbonization of the global supply chain. This in turn implies better monitoring, assessment and tracking of air pollution at different stages of supply chains. At the same time, the role of Customs administrations is central to ensuring environmental protection at the border. A number of priority actions can help Customs to address the environmental issues of global supply chains, including, but not limited to, carbon footprint trade metrics, the updating of recycling and waste reduction policies, net-zero land port of entry, specific regimes for electric vehicles, increased collaboration with Customs partners, academia and the private sector, and partnerships for fighting environmental crime. Some of these actions can be implemented in a national context, while others will need to take place at international level.

**Ms. Francesca Poggiali, Chief Public Policy Officer, Europe GS1**, shared insights from the perspectives of both the European Union (EU) and China. In the fight against climate change, the EU Climate Law targets climate neutrality, with net-zero emissions, by 2050. A number of priority actions are being implemented to achieve these ambitions. The new framework explicitly mentions the requirements for best CE practices to alleviate the issue of product packaging, notably for the textiles industry. Use of the Digital Product Passport (DPP), as a key regulatory tool, will enhance the transparency and traceability of products and their components. The DPP tool associates a unique identifier with each product, in order to collect information. The principle of data collection is implemented on a decentralized basis, at EU country level. The conditions for data sharing involve centralizing product-related information in a common register. DPP costs can be significant – up to 0.1% of EU GDP, which is equivalent to the GDP of Malta. China is implementing another regulatory tool, namely the GTIN (barcode number) declaration for the Single Window system and for enterprises. More generally, Customs administrations can contribute to the green agenda through the Single Window approach, the simplification of Customs clearance for businesses, risk management, and environmental protection.

**Dr. Boriana Rukanova, Senior Researcher, Delft University of Technology**, addressed some of the key challenges in terms of implementing CE monitoring at borders. The monitoring of CE goods will have

an impact on Customs' responsibilities and must not undermine their facilitation role. The sharing of knowledge and experience between Customs officers can help policy-makers better evaluate the cost-benefit trade-off. Some Customs activities may already accommodate CE monitoring, while others will need to be clarified. Uncertainty around the transition to a CE makes it more difficult to anticipate to what extent these activities could be changed. Both Customs procedures and CE practices will need to be aligned, together, in order to bring about positive changes towards a CE. A joint country case study highlighted the possible links between Customs activities, various aspects of sustainability and CE policies. Implementing a monitoring mechanism will require increased transparency of product-related information, from production to transit, recycling, refurbishment and reuse. The rise of the CE may extend and reinforce the scope of Green Customs. Digital transformations may help to facilitate the related changes.

**Ms. Jackline Wanjiru, Associate Legal Officer, United Nations Environmental Programme (UNEP)**, outlined the scope of Multilateral Environmental Agreements (MEAs) and their implications for Customs. MEAs are common instruments used to address most environmental challenges at the border. Fifteen MEAs, including the Basel Convention, the Montreal Protocol, the Rotterdam Convention and the Stockholm Convention, include explicitly specified trade control provisions. Customs administrations have a number of important responsibilities in the implementation of MEAs. They are still facing some practical challenges, especially a knowledge gap where MEAs are concerned, coordination issues, the misclassification of environmentally sensitive commodities and issues around data collection. To counter these difficulties, Customs could develop training on Green Customs, establish digital data collection and information-sharing platforms, centralize MEA information in a directory, or even create Customs-relevant partnerships. The Green Customs initiative is a good example of a partnership where Customs are engaged on the frontline in the fight against environmental crimes. Trends in the area of MEAs include the broadening of scope to cover commodities such as plastics and e-waste under the Basel Convention (with effect from January 2025). Visualization tools have been created for the Basel Convention, to map the trade flows of hazardous wastes and other wastes.

## Closing remarks

**Dr. Kunio Mikuriya, Secretary General, World Customs Organization (WCO)**, delivered concluding remarks about the key perspectives drawn from the Green Customs Global Conference. For the first time, a Conference dedicated to the environment, trade and Green Customs has been held at the WCO, with the notable participation of various key stakeholders active in these fields. The focus area of the environment is high on the WCO's agenda, in keeping with the high expectations of society regarding the roles of trade and Customs. Two other focus areas central to the WCO are data and sustainable supply chains. The Green Customs Global Conference has successfully launched a dialogue between many stakeholders on environmental and trade policies, as a means of promoting environmental protection and the adaptation of Customs for that purpose. It has provided an opportunity to hold more in-depth discussions about the implementation and sustainability aspects of Customs and trade policies, and for important experience sharing on practical Customs issues. The WCO has announced a series of symposia on greening the Harmonized System, to take place in the second half of 2022. Public-private dialogue, cooperation between Customs administrations and environmental organizations, and better transparency and traceability in trade monitoring will be required, around a common objective to address urgent environmental imperatives.

## Green Customs Global Conference highlights

### Challenges

A broad policy debate is taking place to better understand and clarify the scope of Green Customs, Circular Economy (CE) and sustainable trade issues. In this context, Customs administrations play an active and important role by controlling cross-border movements of commodities that may have harmful effects on the environment. Their role is gradually evolving to include facilitating the circulation of environmentally friendly goods, and could change further with the promotion of trade in support to CE objectives.

The Conference has launched a policy dialogue between stakeholders and highlighted a series of practical issues they are facing. Customs need to be attentive to any recent developments in trade, including the progress of the Circular Economy in global trade, updates on the implementation of MEAs, the inclusion of sustainability aspects in the Harmonized System (HS), the possible creation of international standards on CE goods and the use of instruments and tools to monitor, control and manage trade in a more sustainable manner.

These recent developments can strengthen and extend the scope of Customs activities across different areas and with reference to different challenges, as follows:

- Data collection for trade and environmental monitoring

Methods to track the Environmental footprint are important for capitalizing on achievements made towards more sustainable trade. So far, trade metrics have included little or no information about the sustainability aspects of products, given the high number and variety of them and their strong integration in global supply chains. Different monitoring tools and instruments can support the collection of data on these aspects of sustainability. The first such tool is the HS codes, enabling Customs to monitor the flow of commodities that can be considered either environmentally friendly or harmful to the environment. Additionally, digital data collection tools can support data collection efforts with a view to identifying commodities with a high environmental footprint across different stages of the entire product value chain. Where possible, their implementation needs to be consistent with the use of HS tools through, for example, the Single Window approach.

- Classification of goods based on sustainability criteria

The classification of goods based on sustainability criteria can be a complex task, given the rapid changes in science, technology advances and urgent environmental imperatives. Many commodities, as pointed out by some experts, raise certain classification issues in terms of identification criteria. The differentiation between wastes and recyclable materials remains unclear, and this is a limiting factor where global CE monitoring is concerned. The implementation of international standards can help to limit the misinterpretation of commodity classifications between countries, and will make specific treatments, such as tariff reductions or facilitative measures, easier to apply. Some countries use higher granularity within the HS codes to further monitor local environmental concerns at either the regional or the national level.



- Implementation of environmental policies at the border

The transition to a CE can generate both positive and negative outcomes for the environment. On the one hand, pro-CE policies could contribute to the decarbonization of the global supply chain by facilitating the circulation of goods derived from CE practices. On the other hand, these policies need to take account of any possible negative outcomes (e.g., the growth of cross-border e-commerce in second-hand goods can have significant impacts on air pollution through transportation), and adapt restrictions and prohibitions based on definable criteria for CE practices. From the private sector perspective, traders often experience difficulties caused by regulatory fragmentation in green trade. There are a wide variety of regulations on sustainable trade, in areas such as waste management, quality standards, consumer protection and licensing. These regulatory measures can often appear as a trade barrier, especially when written in ambiguous language or applied randomly or inconsistently. The harmonization and simplification of regulations can be part of the major agenda for achieving a CE.

- Enforcement of environmental protection

The transition to more sustainable trade could be threatened by the surge in environmental crimes. In the case of trade in wastes, national differences in trade barriers and the coordination of environmental regulations could present a new opportunity for criminal organizations. Customs administrations must ensure that new trade trends (especially in the CE area) do not encourage the development of new environmental crimes.

- New perspectives from the Circular Economy and sustainable trade

Existing and future policies on the Circular Economy and sustainable trade can and will strengthen the environmental role of Green Customs. How, and to what extent some of these policies will affect the scope of Green Customs remains to be determined. Amid constantly changing situations, Customs should set itself the priority of addressing those issues which are the most important to Customs and international trade. For example, a growing awareness of, and concerns about plastics pollution and e-waste would be good candidates for a frontline effort. Moreover, as the trade in recycling goods is one of the major components of the circular economy, facilitating trade in such goods while maintaining tight controls could also be a priority for Customs.

### Opportunities

The Conference highlighted a number of key challenges, but also opportunities arising out of the latest trends in trade and Customs operations; addressing them could be part of the solution for global responses to urgent environmental concerns. First, the various stakeholders, including Customs officers, traders, manufacturers, activists and policy makers, will need to share their understanding and experience about the new challenges and realities that each one is facing. Second, data is essential for the sustainable management of trade, and this implies improving data collection and enabling data sharing between concerned stakeholders. A third opportunity could be to better facilitate secure trade across borders, and this will require stronger collaboration between Customs administrations, environmental agencies and other relevant entities.

## Next steps by the WCO

There are a number of upcoming events for which the Green Customs Global Conference can provide the basis for new and timely discussions:

- The Summary Report may inform the discussions in the relevant WCO Committees, as well as the development of a Green Customs action plan;
- The WCO Secretariat will organize a series of symposia on “Visualising a greener HS” between October 2022 and January 2023, to discuss these issues in depth;
- The Summary Report will serve as one of the bases of the Study Report on the implications for Customs administrations of the transition to a Circular Economy (expected to be released in Q2, 2023).

## List of Annexes

### Annex 1. Agenda of the Green Customs Global Conference

# Green Customs Global Conference

“Strengthening Customs’ role in implementing green trade policies for environmental protection”

Time	Activity
	<b>Monday, 27 June 2022</b>
10:00 – 10:10	<b>Opening</b> <b>Dr Kunio Mikuriya, WCO Secretary General</b>
10:10 – 10:50	<b>Keynote speech</b> <b>Mr Gerassimos Thomas, Director-General</b> <b>Directorate-General for Taxation and Customs Union (DG TAXUD), European Commission</b> <i>Expectations for the Customs community</i>  <b>Q&amp;A</b>
10:50 – 11:00	<b>Coffee break offered by the WCO</b>
11:00 – 13:00	<b>Panel 1: Circular Economy</b> <b>Moderator: Ricardo Treviño Chapa, WCO Deputy Secretary General</b>  <b>1. Dr Shardul Agrawala</b> <b>Head of the Environment and Economy Integration Division, Environment Directorate, OECD</b> <i>Trade and circular economy linkages</i>  <b>2. Antoine Oger</b> <b>Institute for European Environmental Policy (IEEP), co-author of Chatham House paper on</b> <i>Trade for an Inclusive Circular Economy - A framework for collective action</i>  <b>3. Stephan Freismuth</b> <b>Director EU-Trade, Tax and Finance Policy, Governmental Affairs and External Relations Europe</b> <b>(AK-43-EU) BMW Group</b> <i>How can value chain transparency foster the Circular Economy</i>  <b>4. Ross Bartley</b> <b>Trade &amp; Environment Director, Bureau of International Recycling</b> <i>A circular economy for used goods and recyclable materials</i>  <b>Q&amp;A</b>

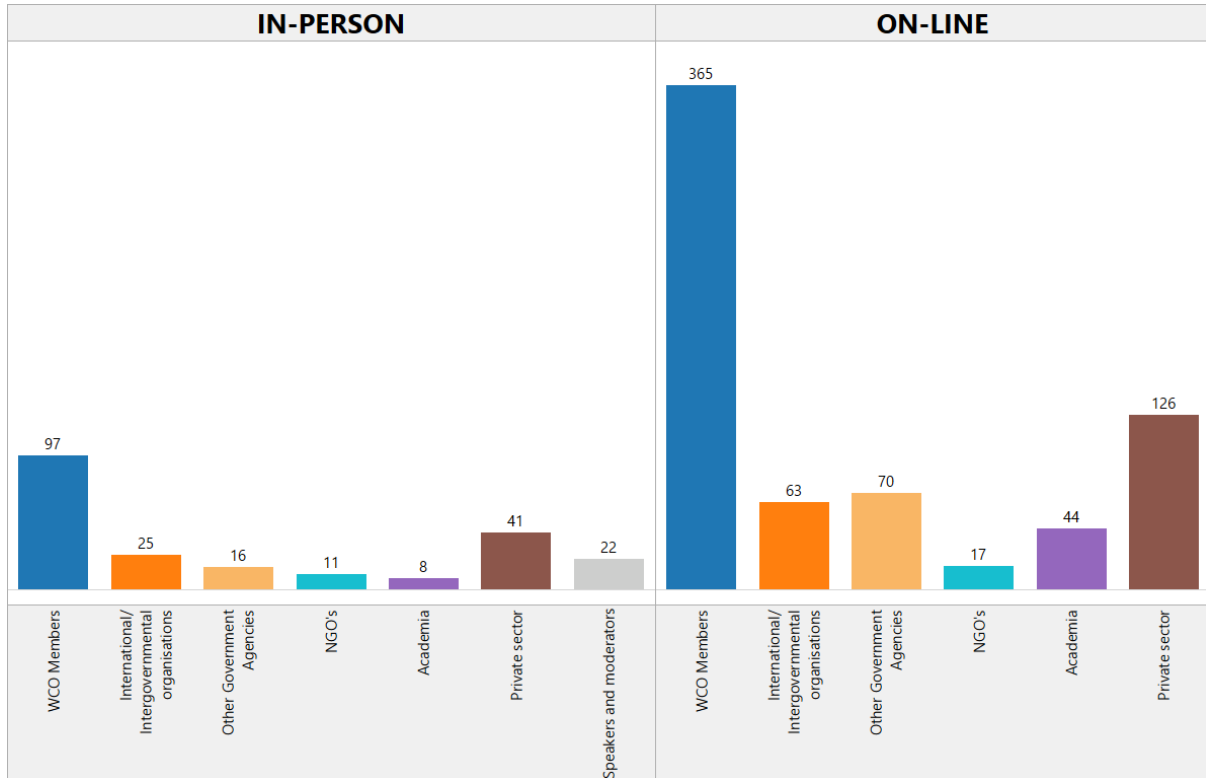
<b>Time</b>	<b>Activity</b>
13:00 – 14:00	<b>Lunch offered by the WCO</b>
14:00 – 14:30	<b>Side event: Global deforestation and sustainable supply chain: the role of Customs</b> <b>Moderator: Anton Huitema, Timber-Trafficking &amp; CITES Expert CCP LEAP, UNODC-WCO</b> <b>1. Anke Schulmeister-Oldenhove</b> <b>Senior Forest Policy Officer, WWF European Policy Office</b> <i>Trends around global deforestation and trade, the role of soft commodities and traceability</i> <b>2. Michael Rice</b> <b>Lawyer, Forest-risk Commodities, Client Earth</b> <i>Comparison of emerging legislation to control deforestation associated with soft commodity supply chains</i> <b>Q&amp;A</b>
14:30 – 16:30	<b>Panel 2: Cross-border movement of waste: Case Studies</b> <b>Moderator: Ernesto Bianchi, OLAF (Director, Revenue and International Operations - Investigations &amp; Strategy)</b>  <b>1. Soma Baskoro</b> <b>Enforcement and Investigation Division, Indonesia Customs</b> <i>National Experience of the implementation of the WCO Asia Pacific Plastic Waste Project</i> <b>2. Martina Kavanagh</b> <b>Executive Program Manager, Import Compliance Office, EMEA IBM</b> <i>Challenges with cross-border trading of remanufactured goods</i> <b>3. Tom Gammage</b> <b>Ocean Campaigner, Environmental Investigation Agency (EIA)</b> <i>Cross-border movement of waste: a focus on plastic waste trade</i> <b>4. Dave Serneels</b> <b>Risk Analyst, Belgian Customs and Excise</b> <i>Role of Belgian Customs in Demeter operations</i> <b>Q&amp;A</b>
16:30 – 16:40	<b>Summary and closing of Day 1</b>
16:40	<b>Cocktail offered by the WCO</b>

Time	Activity
10:00 – 10:10	<b>Opening</b> <b>Ricardo Treviño Chapa, WCO Deputy Secretary General</b>
10:10 – 12:10	<b>Panel 3: From policy to implementation: the HS and other Customs Trade Measures</b> <b>Moderator: Konstantinos Kaiopoulos, WCO Director of Tariff and Trade Affairs</b>  <b>1. Ronald Steenblik</b> <b>Senior Fellow, International Institute for Sustainable Development (IISD)</b> <i>Trade in environmental goods: Attempts to define an Environmental Goods Agreement and the HS connection</i>  <b>2. Dr. Carolyn Deere Birkbeck</b> <b>Director, Forum on Trade, Environment &amp; the SDGs (TESS)</b> <i>HS classifications and trade data as vital tools for environmentally sustainable trade: Priorities and options for future work</i>  <b>3. Melisa Lim</b> <b>Programme Management Officer, Secretariat of the Basel, Rotterdam and Stockholm Conventions</b> <i>Making the HS work for regulating the trade in hazardous chemicals and wastes</i>  <b>4. Konstantinos Kaiopoulos</b> <b>WCO Director of Tariff and Trade Affairs</b> <i>Beyond HS 2022</i>  <b>Q&amp;A</b>
12:10 – 13:10	<b>Lunch break</b>
13:10 – 15:10	<b>Panel 4: Paving the way for Green Customs: what can Customs do, or will it have to do?</b> <b>Moderator: Brenda Smith, Global Director of Government Outreach- Expeditors</b>  <b>1. Jean-Marie Paugam</b> <b>WTO Deputy Director-General</b> <i>New WTO Environmental Initiatives: what are the future challenges and opportunities for Green Customs?</i>  <b>2. Ian Saunders</b> <b>Deputy Assistant Secretary, US Department of Commerce</b> <i>Other agency partnerships with the private sector and CBP's Green Customs Initiative</i>

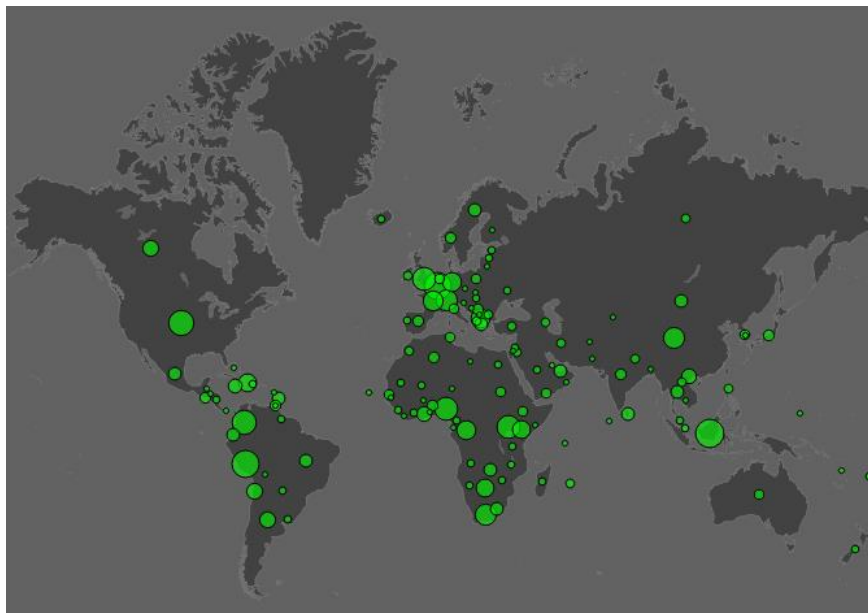
Time	Activity
	<p><b>3. Francesca Poggiali</b> Chief Public Policy Officer, Europe GS1 <i>The impact of digital product passports on Green Customs from a standardisation perspective; main regional trends</i></p> <p><b>4. Dr. Boriana Rukanova</b> Senior Researcher, Delft University of Technology and Frank Heijmann Head of Trade Relations, Customs Administration of The Netherlands <i>Green Customs Framework and Cases (PEN-CP Annual study) and Extended Data Pipeline for Circular Economy Monitoring</i></p> <p><b>5. Jackline Wanjiru</b> Associate Legal Officer, United Nations Environmental Programme (UNEP) <i>Green Customs Initiative: Way forward for MEAs and expectations of Customs</i></p> <p>Q&amp;A</p>
15:10 – 15:30	<p><b>Closing</b> Dr. Kunio Mikuriya, WCO Secretary General</p>

## Annex 2. Green Customs Global Conference in figures

### A. Participants by stakeholder



### B. Participants by country



### **Annex 3. List of additional materials**

Green Customs Conference web page <https://na.eventscloud.com/website/35881/>

WCO News 98 edition <https://mag.wcoomd.org/magazine/98-issue-2-2022>

Green Customs Initiative <https://www.greencustoms.org/>

WCO Environment Programme

<http://www.wcoomd.org/en/topics/enforcement-and-compliance/activities-and-programmes/environment-programme.aspx>

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