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NOTE

From: General Secretariat of the Council
To: Delegations

Subject: World Customs Organisation: Note on relevant concepts and possible pilot industries for a reform of the HS under Strategy XXVIII for HS 2033
- Preparation of the position

Delegations will find in the Annex a revised document regarding the preparation of the positions concerning the WCO Note on relevant concepts and possible pilot industries for a reform of the HS under Strategy XXVIII for HS 2033, with a view to the meeting of the Working Party on Customs Union on 14 May 2025.

Changes to the initial document (7809/25) are marked in **bold underline** and ~~strikethrough~~.

EU Non-Paper on HS reform concepts and pilot industries - For use in upcoming discussions with the WCO on implementation options within the scope of the EU/MS Non-paper on 'HS Greening' (EU/MS coordinated: ST14187-re01.en24) – for coordination with Member States

NOTE ON RELEVANT CONCEPTS AND POSSIBLE PILOT INDUSTRIES FOR A REFORM OF THE HS UNDER STRATEGY XXVIII FOR HS 2033

*At its 91st session, the WCO Policy Commission emphasized the importance of a modern HS reform that prioritizes economic prosperity and safety for trade in goods by reflecting environmental sustainability, circular economy principles, ethics and traceability of production methods. In view of the WCO Policy Commission and Council meetings planned during 2025, this document offers an overview of policy needs, business interests and key concepts surrounding the HS reform **under strategy XXVIII** that should be put forward **to ensure that WCO Members are fully aware of those prominent aspects as well as of the need to take concrete and decisive steps to promote the HS reform**. In particular, this note sheds light on what concepts and industries the upcoming HS reform should be focused as well as why this project would be of key relevance for consumers, businesses and customs administrations at the same time to reflect new market trends and trade patterns applied by trade community to respond to changes in consumer tastes and policy requirements. **This note therefore aims to contribute to setting the framework of the possible terms of reference for a project team to be mandated by the WCO as indicated by the December 2024 Policy Commission conclusions. As already flagged by the EU and its Member States at the December 2024 Policy Commission and via the WCO Contribution from the EU and its Member States to the WCO Secretariat in view of its preparatory work on the HS Reform [ST14974.en24], it is of vital importance to ensure that the work of the project team to be mandated by the WCO to advance the HS reform under strategy XXVIII is linked to the next revision cycle of the Harmonized System, which will start in 2025 and end in 2030, for the implementation of the new version of the Harmonized System by 2033.***

Framework for the HS reform¹

1) Policy needs

Consumers, businesses and governments have an increased interest in reaping the benefits of full economic prosperity and promoting safety in global trade by, for example, adopting new policies at the national/regional level² and increasing international cooperation to support innovative goods and technologies which enhance economic prosperity, such as high-tech manufacturing and advanced industries. Notably, the Harmonized System (HS) reform aims at boosting economic growth, improving international trade efficiency, and ensuring safety across global supply chains.

¹ See table including policy needs, business relevance and key concepts for a green HS project in [Annex 1](#).

² In his closing remarks at the 75th Harmonized System Committee, the WCO Secretary-General (Mr. Ian Saunders) accentuated the importance of the HS in the context of the broader policy cycle.

Increasing market safety and traceability³ of those products is key to enable public authorities to design and update their policies while reflecting real-time market trends and trade patterns, to enhance economic resilience and trade efficiency. Increased visibility would also significantly ensure market access for safe, sustainable and high-quality products and contribute to economic growth as it would provide companies the necessary information to make better informed business decisions⁴. For example, increased supply chain traceability would help businesses detect parallel imports and product diversion, improve distributor inventory management and demand forecasting, facilitate regulatory compliance, ensure end-users the best products available while maintaining high safety standards, and communicate products' sources and quality to end-users⁵.

A non-exhaustive list of overarching policy needs for the HS reform as endorsed by the WCO Policy Commission in December 2024 is presented below:

First, facilitating the *classification of innovative goods linked to new technologies* is of relevance for an HS reform as it would ensure that HS codes are aligned with policy goals, market developments and business needs. Identifying such goods and technologies would offer increased visibility of those products and their value chains (from raw materials to finished goods), while ensuring fair trade treatment and market safety. In addition, identifying such goods would enable and accelerate policy change towards economic prosperity and sustainable growth.

Second, promoting *innovative, modern and efficient production processes* is an important policy need for policymakers, businesses and consumers alike⁶. Public authorities need specific HS codes for goods manufactured via *new and innovative* processes to track their trade flows and design more-tailored policy in the area; businesses require this degree of HS granularity and ensuing traceability to take better-informed business decisions; and consumers demand more innovative, efficient and safe products and require more information on those. Thorough exploration of the possible use of international standards/certificates needs to be carried out to facilitate the identification of goods based on their production method. Reliance on previously agreed concepts would reduce the administrative burden on Customs and would contribute to the simplification of the HS⁷, which is an important consideration of the strategic HS review⁸.

Third, supporting *the boost of economic growth and prosperity* by covering new reversing linear trends of production and consumption. At the same time, this approach aims at creating new economic value opportunities across industries and reflect current companies' demands, involving the redirection of these flows into global supply chains⁹. Notably, monitoring goods of relevance to the circular economy is key for companies and for public authorities to map out trade flows and calibrate their policies in the area.

³ The concept of *traceability* is discussed in more detail in sub-section 3 (b) below.

⁴ The *business relevance* of pursuing such policy needs is discussed in more detail in sub-section 2 below.

⁵ For more details, see [Scantrust, Traceability solutions for supply chains, with examples](#).

⁶ In some instances, the newly employed production processes are not clearly reflected for the identification of the good itself. For example, a package made from recycled materials, or a tomato cultivated without using pesticides.

⁷ For more details on how an HS modernization project can contribute to HS simplification, see sub-section (c) below.

⁸ WCO Doc. SP0872Ea.

⁹ *Ibid.*, page 6.

Fourth, improving the market access safety by protecting human, animal and plant life and health, preventing health risks arising from e.g. additives, contaminants, toxins and disease-causing organisms (such as, food contamination or food fraud¹⁰) is a key priority for policymakers. Specifically, heightened visibility of supply chains is necessary for Customs to ensure, for example, that food is safe for consumption. Additionally, safeguarding those policy needs avoids, for example, business disruptions in value chains and prevents the importation of hazardous materials or contaminated food products.

Fifth, tackling customs fraud is another important policy need. Customs fraud arises in some areas as, for example, illicit trade in protected species (e.g., CITES¹¹), illegal shipments of waste and ozone depleting substances. Notably, the illicit trafficking of wildlife, timber, waste and controlled substances (e.g., ozone depleting substances, hydrofluorocarbons), potent greenhouse gases, hazardous chemicals, and pesticides, underscores the persistent threats to safety and revenues, posed by environmental crime and the analysis of recent data reveals some noteworthy increases across various seizure categories.

Increased visibility of products and supply chains can enable Customs to effectively tackle such practices, step up monitoring and collecting statistics, and protect States' revenues and consequently secure and further their economic prosperity.

2) Importance for business

Meeting the above-stated policy needs in the context of an HS reform is in lockstep with reflecting market conditions and current trade patterns and can create the framework for more business development, competitiveness and new opportunities for business ventures. Companies can greatly benefit from increased visibility of goods as well as tracking and tracing products which are necessary to achieve full economic prosperity and innovation.

Specifically, revising the HS in response to new business realities contributes to enabling the identification of goods that help achieve particular objectives (such as, create new opportunities for businesses by facilitating access to new markets and value chains, thereby enhancing international trade which can boost national economies). Such revisions should tangibly contribute to:

- *Exploring new opportunities*: an HS reform needs to keep pace with continuous technological innovations¹² and new value chains to enable businesses to *take informed strategic decisions* and reap the benefits of international trade in these areas by, for example, investing in new technologies and optimizing their operations.
- *Reflecting evolving consumers' preferences*: policy needs with respect to regulatory landscape and consumer tastes incite businesses to change their standard operations, and such changes can *generate significant growth*. Innovative considerations and evolving policy priorities can indeed create opportunities for businesses to *develop in new areas* (e.g., textile recycling¹³).
- *Maximising the efficiency of their processes*: companies are increasingly seeking to be part and contribute to new processes from linear to circular, to benefit from the business

¹⁰ Research in the field of food safety suggests that simply performing a larger number of random inspections is not effective in detecting fraud and joint risk management between Customs is called for. For more details, see [WCO, Food and feed safety: identifying the missing links to unleash the full benefits of cooperation, 25 February 2021](#).

¹¹ [Convention on International Trade in Endangered Species of Wild Fauna and Flora | NOAA Fisheries](#).

¹² Examples of new technologies include hydrogen technologies, water preservation, waste reduction technologies, energy storage equipment and carbon capture, utilization and storage technologies.

¹³ [World Economic Forum, Here's how textile recycling can create jobs and reduce pollution](#).

opportunities that emerge from its development. It will enhance trade efficiency and support innovations, which allow companies to swiftly adapt to market changes, thus gaining a competitive advantage.

- *Benefiting from simplified administrative burden*: businesses can significantly benefit from clear identification of their goods' materials used and production processes, supporting at the same time economic growth.
- *Avoiding reputational and business discontinuity risks*: businesses bear the responsibility for preventing health risks arising from additives, contaminants, toxins and disease-causing organisms, including for avoiding reputational damage and business disruptions. Effective sanitary and phytosanitary measures and up-to-date HS codes coupled with appropriate implementation/enforcement facilitates firms in their day-to-day operations.
- *Necessity to compete on a level playing field*, on the basis of their merits rather than as a result of fraudulent activities: effectively preventing fraudulent offers companies the possibility to compete on the merits while ensuring infractions are kept to a minimum.

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3) Key concepts

The main concepts which need to be considered together for an HS reform are briefly presented and put in context below:

- a. **Simplification:** Making the HS simpler, future-proof and aligned with emerging policy needs requires integrating traceability and market access safety efforts. That is because targeted revisions of HS codes based on traceability and market access safety considerations can directly translate in the simplification of the HS and facilitate its use. For example, enhanced international collaboration of Customs, including of customs laboratories¹⁴, and appropriate use of available certifications/standards would be conducive to a simpler HS where market trends would be reflected.

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- Moreover, it would also be pro-business as it would provide the necessary (legal) certainty for companies to conduct their operations in today’s complex and evolving markets.

Additionally, a simpler HS would reduce the administrative burden on Customs as they would rely on up-to-date HS codes factoring in current and emerging policies and business needs, enhancing efficiency and supporting innovation. In particular, the simplification of the HS structure and its use can contribute to reducing significantly classification conflicts among contracting parties and the burden related to legal disputes for traders. This would primarily be relevant for simplifying the classification of technologically advanced and high-quality goods, as would allow the HS Committee (HSC) to classify innovative products more quickly and efficiently¹⁵.

Further the simplification of the HS resulting from traceability and market access safety efforts would also contribute to improving the work of WCO Committees which would, for example, deal with significantly fewer classification conflicts.

- b. **Traceability and market safety:** classifying goods in a specific HS code makes their trade visible and accessible to statistical analysis. Better monitoring of such products and of their value chains (from raw materials to finish products) provides more transparency and can ensure that products can be traced back to their origin, method of production and throughout their journey to consumers.

Moreover, digital transformations and data collection at product level can contribute to the efforts to track, monitor and control trade in goods across different stages of the entire product value chain.

Traceability and market safety must be conceived as a prerequisite for any successful HS reform covering simplification because increased visibility of the trade flows of products can yield (i) better designed polices by governments, (ii) better-informed business decisions by

¹⁴ The Customs Laboratories European Network (CLEN) in July 2023 held an international seminar with 200 participants from 45 countries where current and future challenges faced by customs laboratories (such as, greening customs, use of IT tools and fight fraudulent fuels) were discussed. For more details, see [European Commission, Customs Laboratories European Network holds its 8th International Seminar, 17 July 2023](#).

¹⁵ For example, the option of merging some product categories that are currently listed as separate items in different chapters – such as products in Chapters 84, 85 and 90 or products classified on the basis of their power source – could be developed. The revision of some Legal Notes of the referred Chapters could be considered as well, considering the links existing between them.

companies, (iii) more informed decisions by consumers, and (iv) access to safer products in the market.

- c. **Prosperity and innovation:** the HS as the “*lingua franca*” of international trade can play an even greater role in facilitating the identification of products and production technologies relevant to economic growth, prosperity and innovation resulting from new consumer’s demands and policy requirements. Simplification and traceability are the stepping stones to a successful HS modernization project as they would create the appropriate framework for the classification of products produced by new innovative processes from sustainable materials/sources.

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– Moreover, HS codes enable businesses to adapt to new trade realities and Customs to monitor and measure international trade on commodities, preventing the international commerce of harmful goods and ensuring safety of supply chains. The classification of innovative goods can be a complex task, in view of the rapid changes in science, technology advances and compelling policy needs. However, a well-designed and targeted HS reform, which would ensure better traceability in the various supply chains, can result to better reflect advanced goods and, where possible, production methods and innovative processes (from linear to circular). The use of relevant international standards needs to be carefully considered for such efforts to bear fruits.

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– Promoting the identification of those goods through the HS reform would enable and accelerate policy change while sending a signal to the industry and traders that these areas are pro-business.

Following this, a uniform approach is called for a successful HS modernization project where simplification, traceability and market access safety, and prosperity and innovation are all considered together.

To achieve the above-mentioned concepts, the below aspects need to be borne in mind:

- **Customs collaboration:** heightened collaboration between Customs and other governmental bodies is called for – both at the domestic and the international level – to achieve increased traceability and market access safety of the HS while ensuring the system’s simplification is put forward. Given Customs do not operate in silos, but their work is closely intertwined with other authorities (such as, health authorities, chemical labs and law enforcement), their collaboration needs to be strengthened. Such collaboration efforts would be needed at the international level as well (*e.g.*, Customs Laboratories¹⁶) to promote those objectives.
- **IOs collaboration:** increased cooperation between the WCO and other international bodies/organisations (*e.g.*, WTO, ISO, FAO, UNECE) working on similar fields can enable information-sharing and synergies which would facilitate a more effective HS reform reflecting relevant considerations by expert bodies. It is crucial for achieving global trade

¹⁶ Customs laboratories provide the scientific expertise needed for Customs (for example, via chemical analysis) and play a key role in combating fraud and illegal trafficking, as well as protecting consumers and their health. To increase capacity building and conduct information exchange as well as sharing services in the Customs chemical analysis field, the initiative of [WCO Regional Customs Laboratories \(RCL\)](#) is being put in place.

security and market stability, emphasizing partnerships that enhance economic prosperity and efficiency. These cooperations can lead to more secure and prosperous trading routes.

- **Standards:** due consideration to the possible use and efficacy of relevant internationally agreed standards or certificates in the identification of new innovative goods is called for. In particular, the eventual use of such certifications/standards for an HS reform would increase administrative efficiency as it would promote reliance on objective (and internationally agreed) criteria¹⁷ which would reflect goods' objective characteristics¹⁸.

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Possible candidate industries for pilot project

This section offers a brief assessment of the relevance of three (3) possible candidate industries – namely, textiles, plastics and agricultural and food commodities – aiming to promote economic growth, trade safety and secure prosperity. ~~The Commission (DG TAXUD) has shortlisted these industries~~ **could be shortlisted** for an HS reform because **they would be suitable and pragmatic examples on the impact and needs of the project**¹⁹. **More specifically:** (i) the textiles industry is of high importance for the EU and other WCO contracting parties (such as, the US²⁰ and AUS), it appears to be a good candidate to improve traceability and market access safety of goods and it may enable the HS – following a further revision – to reflect goods which follow innovative processes, as from linear to circular; (ii) a targeted HS reform to the classification of plastic commodities could contribute to reducing plastics pollution and illicit trafficking of waste; and (iii) an HS revision could facilitate the expansion of prosperity and economic growth in agri-food supply chains.

1) Textiles

Fashion is considered a substantial industry player in economic terms. The garment and footwear industry contributes significantly to the global economic activity. Furthermore, it has been estimated that up to 20% of the total industrial wastewater, a concern for production efficiency, results from textile dyeing and finishing processes. The textiles industry consequently exerts considerable demand on water, land resources, and raw material use.

Global textile fibre production has almost doubled between 2000 and 2020²¹, making it the third largest employer worldwide²². The industry also faces challenges related to labour standards and practices, with implications for trade compliance and ethical operations. Enhancing traceability through revision of the HS structure for textiles could address these issues by meeting modern trade needs and aligning with WCO members' policy objectives. Additionally, such revision could also foster the collaboration with International Organisations (such as, ISO and UNECE).

¹⁷ Such criteria would depend on the specificities of the standard as developed by international organisations or other standards setting/developing organisations.

¹⁸ The use of international standards in HS codes is not uncommon. For specific examples, *see* fn. 25 below.

¹⁹ **The shortlisted industries in this non-paper should not prejudge the scope and methodology of the pilot but are rather intended to assist the future WCO appointed project team in drawing relevant examples.**

²⁰ [USTR, Adapting Trade Policy For Supply Chain Resilience: Responding to Today's Global Economic Challenges, January 2025](#), pages 10 to 25.

²¹ Specifically, from 58 million tonnes in 2000 to 109 million tonnes in 2020 and is projected to grow to 145 million tonnes by 2030. For more information, *see* [ETC/CE Report 2023/5 The role of bio-based textile fibres in a circular and sustainable textiles system.](#)

²² *Ibid.*

Possible recommendations to set up HS codes to support economic prosperity in this sector may include classifying products based on their lifecycle stage, such as:

- the structure of the HS could separately provide for new, used, remanufactured garments and other textiles articles;
- creating new codes for materials recycled and remanufactured from textiles reaching end-of-life stages;
- improving provisions for textile waste, such as textile articles that can only be used for recycling;
- aligning certain goods with relevant ethical and quality standards (such as, CITES nomenclature in connection with animal-based textiles and/or leather goods²³).

Moreover, the United Nations Economic Commission for Europe (UNECE) is putting in place significant initiatives to enhance the traceability and transparency in garment and footwear supply chains. The case studies undertaken by UNECE under this project indicate that the improved traceability and transparency can significantly address issues tied to operational safety concern among others²⁴. Although the case studies undertaken by UNECE do not refer to compulsory and worldwide standards, they clearly show that compliance with those standards and certifications can drive efficient and profitable value chains.

For the HS revision purposes in the textiles sector, ISO 59004²⁵ offers useful guidance, particularly in defining procedures (such as, “refurbishment” and “remanufacturing”). Those definitions could prove essential for the HS reform, allowing contracting parties to focus on classifying textiles without excessive resource use in redefining terms²⁶.

Moreover, modern trade developments and transparent value chains in textiles, monitored closely at the specific HS level, may lead to foreign direct investment (FDI) opportunities, particularly in developing regions, given the growth potential of the textile sector.

Notably, the EU industry has expressed its initial support to a pilot project to enhance HS codes in the textiles sector. Further reach out to the industry might be needed as a next step.

2) Plastics

Plastics represent a critical sector in global trade, with the international market value estimated to exceed USD 1 trillion in 2019, amounting to at least 5% of the total value of global trade²⁷.

A targeted reform to the HS could potentially be a pivotal step toward enhancing economic efficiency and safety in the trade of plastics, it can increase transparency and improve monitoring of trade flows across the plastics lifecycle. This will enable governments and businesses to effectively manage trade in plastic materials, ensuring regulatory compliance and facilitating modern trade practices. The

²³ [Convention on International Trade in Endangered Species of Wild Fauna and Flora | NOAA Fisheries](#). Importantly, all CITES contracting parties are Members of the WCO. The only WCO Member which is not a CITES CP is Bermuda.

²⁴ [UNECE Sustainability Pledge and Toolbox– Advancing sustainability and circularity in the textile and leather industry through traceability and transparency of value chains](#). For more details on those case studies, see a summary in the [Annex 3](#).

²⁵ [ISO 59004:2024](#).

²⁶ The HS already has references to ISO and ASTM standards in other sections (e.g., Subheading Notes to Chapter 27: “ISO 3405 method (equivalent to the ASTM D 86 method)”).

²⁷ [UNCTAD Research Paper No. 53 UNCTAD/SER.RP/2020/12](#).

revision will promote the trading of advanced plastic goods and encourage the application of international standards and labelling for improved market dynamics²⁸.

Additionally, the industry has identified certain shortcomings of the existing HS classification that hinder economic optimization including, for example:

- insufficient differentiation of plastics in primary form by polymer type, necessary for precise market operations;
- insufficient differentiation for a given polymer of the origin of the raw materials used to obtain it, affecting trade efficiency related to polymer products derived from various sources (*e.g.*, synthesis from fossil fuel, synthesis from bio-based or bio-sourced materials and recycling of plastic waste);
- limited information on the composition of polymer commodities products and waste, impacting trade precision and safety;
- inadequate classification methods for plastic waste, affecting compliance with evolving international standards (including misalignment with the Basel Convention amendments)²⁹.

Possible revisions of the HS for plastic goods could include³⁰:

- specific codes for innovative plastic substitutes such as, bio-sourced plastics (in particular plant-based plastics), to facilitate market entry and expansion;
- a distinction between plastic in primary form by polymer type;
- a distinction for a given polymer based on the origin of the raw materials used to obtain it, to enhance trade transparency and compliance;
- a distinction between products made of virgin and recycled plastics³¹, promoting economic innovation and resource efficiency.

To avoid increasing the administrative burden for customs officers and the workload of the customs laboratories it will be useful to explore whether for the abovementioned distinctions for polymers (by polymer type, by origin, virgin/recycled) certification or traceability systems could assist with identification of those kinds of products. This would ensure that plastic products or raw materials in primary form comply with the HS code standards efficiently.

Implementing a targeted HS reform in this area will empower economic operators and governments to meet regulatory requirements effectively. In addition, collaboration with other International Organisations pursuing similar objectives (such as, the WTO) could strengthen economic growth and trade security on a global level. **In any case, the specific proposals for any eventual change in the HS would need to be submitted and discussed in the Committees in charge of the HS (HS**

²⁸ [TESS, Policy Brief, Plastic Pollution and Trade Across the Life Cycle of Plastics: Options for Amending the Harmonized System to Improve Transparency, 19 May 2022.](#)

²⁹ *Ibid.*

³⁰ See list of the HS Chapters and headings that might be affected by such revisions relating to plastics in [Annex 2](#).

³¹ Trends indicate an increased production capacity of vPET worldwide (especially from China but also from India, Turkey, and Vietnam) which is driving vPET price down. In 2023, vPET supply has grown faster than demand (9% versus 4%)^[1]. European vPET production capacities have been stagnating since 2017. In 2023, vPET imports are expected to reach 1290 kT, representing an all-time volume record^[2].

[1] GSI [2] Plastics Recyclers Europe

Committee and Review Sub-Committee) allowing WCO members to implement the most appropriate solution.

3) Agricultural and food commodities

Agriculture, a cornerstone of the global economy, also plays a significant role in economic activities.

The agricultural and food sectors are prioritised as candidate industries for an HS modernization project because they are of vital importance to all economies and trade contributes to global food security. As demand for efficiently managed and technologically advanced agri-food supply chains grows, adapting the HS structure accordingly would be strategically beneficial.

To make the HS more apt for agricultural and food commodities some possible areas for revisions³² may include emerging market segments such as organic food products, aquaculture goods, fertilizers from natural sources (fish and plants), plant-based animal product alternatives (PB-APAs), and cell-cultured food products. In addition, other possibilities could include having specific classification codes for CITES-listed species and species with CODEX standards can facilitate compliance with international trade requirements and quality control.

Collaboration between the WCO and other international organizations (*e.g.*, FAO and IFOAM) might be called for to optimize agricultural trade efficiency, ensuring market resilience and competitiveness.

Moreover, and in the pursuit of innovation, UNECE is developing a blockchain-enhanced management system aimed at enhancing traceability and efficiency in food distribution. This system identifies and repurpose or redistribute food, minimising waste in conventional supply channels. Additionally, UN/CEFACT has already developed a fisheries data management standard, which is the first tool to automatically collect and disseminate fishery catch data³³. This standard is used by the EU and a growing number of leading fishing nations. Such efforts can advance traceability enabling efficient and secure trade in food and fisheries, supporting sustainable practices critical to meeting international market demands.

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³² See list of the HS Chapters and headings that might be affected by such revisions relating to agricultural and food commodities in [Annex 2](#).

³³ [Advance traceability for more sustainable food, fisheries and garment sectors](#).

Annex 1

Concepts Matrix

Policy needs	Business relevance	Traceability and safety considerations	Prosperity and innovation considerations	Additional considerations	Sectoral examples
Facilitate the classification of innovative goods linked to new technologies	To increase their competitiveness, businesses are <i>exploring opportunities in new markets</i> , becoming part of <i>new value chains</i> , <i>investing in new technologies</i> , and optimizing their operations	Increased <i>visibility of such products and supply chains</i> (from raw materials to finish products) can yield <i>better designed policies</i> and <i>better-informed business decision</i> alike	Identifying such goods would <i>enable and accelerate policy change</i> while sending a signal to the industry and traders that these areas can be <i>pro-business</i>	WCO to <i>strengthen collaboration</i> with other IOs/bodies to advance sustainable economy objectives and explore the possible use of <i>internationally acceptable standards</i>	Resource efficiency, renewables, air pollution control, energy storage equipment, hydrogen technology, carbon capture, utilization and storage technologies
Promote innovative, modern and efficient production processes	To adapt to an improved requirements for safe, sustainable and high-quality products, businesses are revising their production and explore new products, <i>reflecting evolving consumers' preferences</i>	Increased <i>visibility of such products and the supply chains</i> they are part of would enable companies and consumers to take <i>better informed decisions</i> , Customs to <i>effectively monitor value chains</i> and public authorities to <i>better</i>	Identifying such goods would <i>enable and accelerate policy change</i> , directly responding to consumers' tastes while sending a signal to industry and traders that these areas would be <i>pro-business</i>	Due consideration to relevant <i>international / regional standards</i> is called for.	Organic origin, sustainably produced steel, food / beverages processed using recycled water, non-hazardous chemicals used in production processes, clothing produced with special fiber, climate-resilient seeds

		<i>design their future policies</i>			
Ensure the boost of economic growth and prosperity	<i>Companies are increasingly seeking to be part and contribute to the economic growth and prosperity, to maximize the efficiency of their processes and to benefit from the business opportunity that emerge from the development of the circular economy</i>	<i>Monitoring goods of relevance to the economic growth and prosperity is key for companies to take informed decisions and for public authorities to map out trade flows and calibrate their policies in the area</i>	Identifying such goods would <i>promote the new value chains and contribute to business development</i> in this area as companies would gain access to new market opportunities	Collaboration with IOs and eventual <i>recourse to relevant international standards/certifications</i> would be needed to identify such products	Metal scrap processing and recycling, waste sorting machines, biodegradable plastics, refurbishment, remanufacturing
Enhance sustainable economic competitiveness	<i>Companies can gain from a better distinction of goods protecting the sustainable economy when e.g. international agreements give preferential treatments or simplify the administrative burden related to such products</i>	<i>Closely tracking such products would provide policymakers with tools to negotiate agreements safeguarding the economic growth and develop new policies, businesses with increased incentives to transfer to sustainable production processes</i>	Identifying such goods would facilitate the sustainable transition while creating the necessary framework (via tailored HS codes) for businesses to develop in their areas of interest in the value chain	Possible use of <i>international / regional standards / certifications</i> should be explored. <i>Traceability and documentation</i> of such products would limit the need for post-importation audits to the minimum	Recyclable / waste products, photovoltaics, electro-vehicle batteries, water preservation and waste reduction technologies

		and <i>Customs the necessary resources to confirm the products' end use</i>			
Protect human / animal / plant life and health	Business have now the <i>responsibility to prevent health risks</i> arising from additives, contaminants, toxins and disease-causing organisms, including <i>for avoiding business interruptions and reputational damage</i>	<i>Tracking goods' origin and heightened visibility of supply chains</i> is key for Customs to ensure, for example, that food is safe for consumption	Preventing <i>impact of pollution (e.g., soil) and food contamination</i> is a priority for Customs and public policy	<i>Collaboration between Customs and international bodies</i> as well as exploration of possible reliance on <i>standards/certification</i> is crucial to promote this goal	Agricultural products, Chemicals (pesticides, fertilizers, plastics)
Tackle customs fraud	Firms need to compete on a <i>level playing field</i> , on the basis of their merits rather than as a result of fraudulent activities	Increased <i>visibility of products and supply chains'</i> origin can enable Customs to effectively tackle unfair practices and protect WCO members' revenues	Customs fraud arises in areas having a detrimental impact on high-safety products and sustainable economy and concrete steps are needed to halt it	Increased <i>international collaboration between Customs and anti-fraud authorities</i> would be key in those efforts	Illicit trade in protected species, illegal shipments of waste and hazardous substances (such as, ozone depleting substances)

Annex 2

Possibly relevant chapters/headings to be considered

Textiles

- the structure of the HS could separately provide for new, used, remanufactured garments and other textiles articles:

The following Chapters/headings could potentially be affected/reviewed under this exercise (non-exhaustive list):

Chapter 57 (5701 to 5705); 5805, 5807, 5808, 5810, 5811, 5901.90, 5902, 5904 to 5911, Chapter 61 (6101 to 6117), Chapter 62 (6201 to 6217), 6301 to 6310.

- new codes could be created for recycled and remanufactured fibres based on the material that reached the end of life

It is envisaged that 6 or more new headings under Chapters 50 to 55 could be potentially created in this respect.

- improving provisions for textile waste, such as textile articles that can only be used for recycling;

The following Chapters/headings could potentially be affected/reviewed under this exercise (non-exhaustive list):

5003, 5007, 5103, 5202, 5301 to 5305, 5505, 6309, 6310.

- linking certain goods with relevant sustainability credentials/standards (such as, CITES nomenclature in connection with animal-based textiles and/or leather goods).

The following Chapters/headings could potentially be affected/reviewed under this exercise (non-exhaustive list):

Chapter 51 (5101 to 5113), 5509 to 5511, 5515, 5516, 5602, Chapter 57 (5701 to 5705), 5801, Chapter 60 (6001 to 6006), Chapter 61 (6101 to 6117), Chapter 62 (6201 to 6217), 6301 to 6310.

Plastics

- specific codes for plastic substitutes such as, bio-sourced plastics (in particular plant-based plastics);

It is envisaged that 1 new heading for plastics in primary forms could be potentially created in this respect, which would probably resulted in a need to review also headings 3914 to 3926.

- a distinction between plastic in primary form by polymer type;

Headings 3901 to 3914 could potentially be affected/reviewed under this exercise (non-exhaustive list).

- a distinction for a given polymer based on the origin of the raw materials used to obtain it;

Headings 3901 to 3926 (entire Chapter 39) could potentially be affected/reviewed under this exercise (non-exhaustive list).

- a distinction between products made of virgin and recycled plastics.

Headings 3916 to 3926 (entire Chapter 39) could potentially be affected/reviewed under this exercise (non-exhaustive list).

Agricultural and food commodities

- organic food products

Many of headings of Chapters 1 to 8, and Chapter 21, could potentially be affected/reviewed under this exercise.

- products from aquaculture

The following Chapter/headings could potentially be affected/reviewed under this exercise (non-exhaustive list):

Chapter 3 (headings 0301 to 0309), and headings 1603 to 1605.

- fertilizers from natural sources (fish and plants)

It is envisaged that new 6-digit subheadings under heading 3101 to reflect the sources could be potentially created in this respect.

- plant-based animal product alternatives (PB-APAs)

It is envisaged that new headings/subheadings under Chapter 21 could be potentially created in this respect.

Annex 3

UNECE case studies in the textiles industry

As illustrative example, this case study focuses on the concepts of traceability, transparency and circular economy for the textile industry. Other case studies can be developed by the future project team to be appointed by the WCO.

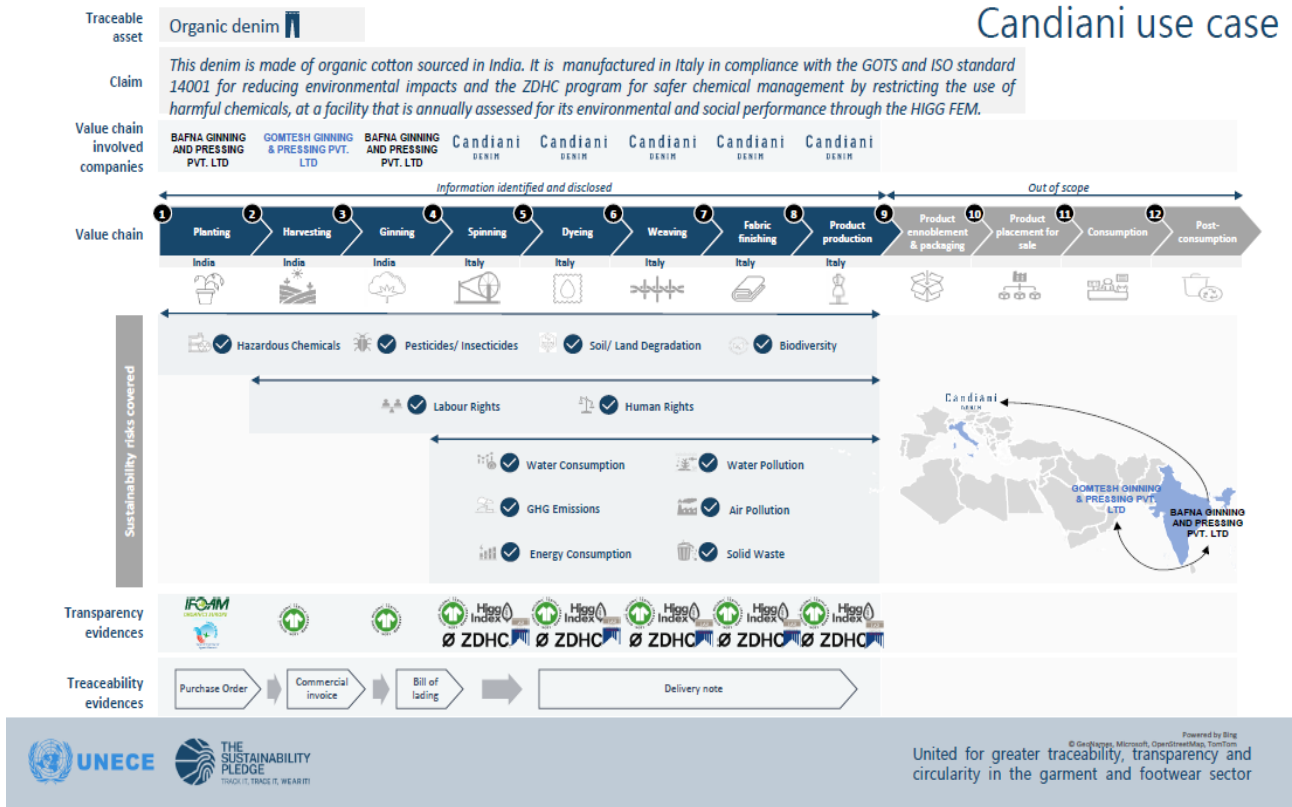
Case 1 – Adidas shoes

The leathers used in the manufacturing of this shoe were originated in farms carrying strict organic practices that foster the responsible use of resources. The case study examined the following stages of the value chain: slaughter, tanning (raw to tanned), splitting, shaving and sorting, retanning, fatliquoring and crusting, dyeing, setting out and sammying, drying, conditioning, softening finishing, product assembly and dispatch, and fulfilment and retail.

In this case study's value chain several companies are involved and different parts of the production and processing of the shoe occur in Latin America, Asia and Europe.

These practices are found in different stages of production, ensuring compliance with various standards, as follows: (i) during the animal slaughtering phase, sustainability risks regarding animal welfare were covered, by following the relevant **USDA National Organic Program** standards and the **Animal Welfare** approved by AGW food label certification; (ii) from the tanning stage to drying, condition, softening and finishing phase, production and processing was in line with the **ZDHC's Guidelines**, the **Leather Working Group** and **IQNET** relevant certifications and the **Higg Index** in connection with Sustainable Apparel Coalition ensuring conformity of the production and processing processes with a wide variety of sustainability risks, including: air & water pollution, health & safety of workers, energy consumption and hazardous chemicals.

All the above production processes, standards and certifications can be traced and confirmed using documentation, such as delivery notes, shipping notes and bills of landing, as proof.



Case 3 – Filmar socks

Filmar produces socks in Italy, using virgin cotton sourced in Egypt and upcycled cotton coming from production waste. The companies involved in this case study use dyeing processes that restrict the use of harmful substances by meeting the requirements of **ISO Standard 100** and the **ZDHC program** for chemical management.

The above standards and processes are relevant during the stage of production in Egypt, especially the spinning and dyeing phases. The sustainability risks covered through their use are the absence of harmful chemicals in the produced socks, the elimination of pesticides/insecticides, as well as mitigation of pollution and resources consumption.

Evidence of traceability includes commercial invoices and shipping notes.

Filmar use case

Traceable asset

Socks

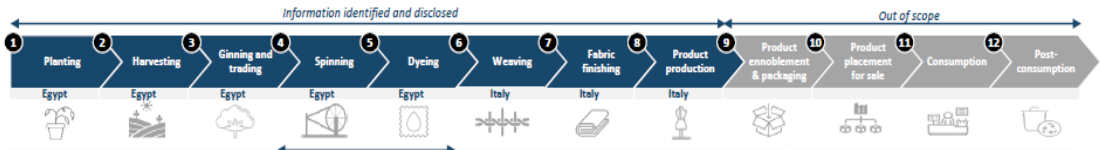
Claim

This pair of socks is made of a blended yarn -EcoLoop- with 50% virgin cotton and 50% upcycled cotton from internal production waste. It uses dyeing processes that restrict the use of harmful substances and meet the requirements of the STANDARD 100 by OEKO TEX and the ZDHC program for safer chemical management.

Value chain involved companies



Value chain



Sustainability risks covered

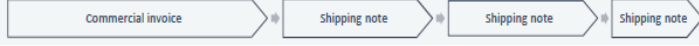
- Hazardous Chemicals
- Pesticides/ Insecticides
- Water Consumption
- Water Pollution
- Air Pollution
- GHG Emissions
- Energy Consumption



Transparency evidences



Traceability evidences



United for greater traceability, transparency and circularity in the garment and footwear sector